

EXHIBIT B



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October 28, 2008

Mr. Grayson G. Kelley
Chief Deputy Attorney General
Department of Justice
P.O. Box 629
Raleigh, NC 27602

Re: Kuriakose v. Federal Home Loan Mortgage Co., et al (08-CV-7281, S.D.N.Y.)

Motion of Richard H. Moore, as Treasurer of the State of North Carolina and as Sole Trustee of the North Carolina Retirement Systems, For Appointment as Lead Plaintiff and Approval of Its Selection of Counsel

Dear Mr. Kelley:

We are in receipt of your letter dated October 21, 2008, in which you request that our firm, Motley Rice LLC, and local counsel, SZD Wicker, PA, withdraw the North Carolina State Treasurer's motion for appointment as lead plaintiff in the above-referenced action. At the instruction of the Treasurer, we respectfully decline your request.

You correctly presume in your letter that our firm and SZD Wicker, PA have been engaged by the Treasurer to prosecute this securities fraud lawsuit against the Federal Home Loan Mortgage Company ("Freddie Mac") and other defendants. In this lawsuit, the Treasurer seeks to recover more than \$18 million in losses sustained by the retirement funds of North Carolina state employees that were caused by the wrongful actions of Freddie Mac and the other defendants. This engagement creates an attorney-client relationship between the Treasurer, our firm, and local counsel. As you are well aware, North Carolina law and the North Carolina Rules of Professional Conduct impose upon us certain duties and obligations, including a strict duty of loyalty, which we must follow throughout the duration of the attorney-client relationship. Because we owe these duties solely to the Treasurer, we cannot abide by your request without violating the law and our ethical obligations.

To the extent that you disagreed with the Treasurer's decision to take action to protect the state employees' retirement funds, you should have raised those objections directly with the Treasurer. Your decision instead to transmit these objections to all parties in this litigation directly jeopardizes the ability of the Treasurer to protect the state employees' retirement funds and to recover the significant losses. We expect that other parties in the litigation likely will challenge the appointment of the Treasurer as lead plaintiff based upon the objections identified in your letter.

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Should other parties mount a successful legal challenge to the appointment of the Treasurer as lead plaintiff, then the Treasurer's ability to fully protect the state employees' retirement funds may be affected.

Moreover, we disagree with your legal analysis, which ignores clear statutory language by which *the General Assembly expressly granted the Treasurer the right to hire counsel in order to protect and administer the North Carolina retirement funds*. North Carolina General Statute § 147-69.3 provides in relevant part:

The State Treasurer is authorized to retain the services of independent appraisers, auditors, actuaries, *attorneys*, investment consulting firms, statisticians, custodians, or other persons or firms possessing specialized skills or knowledge necessary for the proper administration of investment programs created pursuant to this section.

N.C.G.S. § 147-69.3(g) (emphasis added).

Here, the Treasurer's desire to recover substantial losses to the state employees' retirement funds caused by the wrongful actions of Freddie Mac and others undoubtedly falls within the "proper administration" of the retirement funds and requires the assistance of law firms possessing a specialized skill in handling securities class actions. North Carolina General Statute § 147-69.3(g) clearly authorizes the Treasurer to hire counsel under these specific circumstances.

Moreover, your position that the Treasurer must obtain prior approval from either the Attorney General or the Governor would render N.C.G.S. § 147-69.3(g) meaningless. If the Attorney General or the Governor may withhold permission as you apparently contend, then either the Attorney General or the Governor could effectively prevent the Treasurer from hiring counsel to assist in the proper administration of the retirement funds. The North Carolina Supreme Court has squarely rejected this kind of statutory construction. In *Martin v Thornburg*, 320 N.C. 533, 359 S.E.2d 472 (1987), the Supreme Court rejected an argument that N.C.G.S. § 147-17(a) precluded the Governor from hiring counsel except when the Attorney General certified that it would be impracticable for the Attorney General to handle the legal matter. *Id.* at 547-48, 359 S.E.2d at 480. The Court held that such a statutory construction would render part of the same statute meaningless where it provided that in certain situations the Governor may employ counsel when he deemed it proper or necessary. *Id.* The same reasoning applies here.

In addition, as you are well aware, over the past number of years, the Treasurer has participated in a number of successful class actions on behalf of the state employees' retirement funds that are similar to the current action against Freddie Mac. By participating in these class actions, the Treasurer has recovered more than \$37 million (net any attorneys' fees and expenses) for the state employees' retirement funds since 2005. The Attorney General has never raised any prior objections to the Treasurer's long-standing practice of participating in these class actions.

There is no question that the Treasurer has the authority to use his best judgment as a fiduciary of the state employees' retirement funds to administer and protect plan participants and

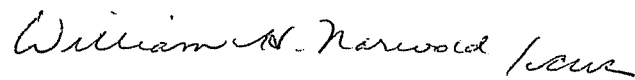
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beneficiaries. The Treasurer has exercised that judgment here by determining that he can best protect those individuals through seeking the role of lead plaintiff in the Freddie Mac litigation. The Attorney General has no legal basis to challenge the foregoing, and your letter only will serve to undermine the Treasurer's efforts to protect the state employees' retirement funds.

Based upon the foregoing, we respectfully request that the Attorney General's office immediately retract the October 21, 2008 letter and further refrain from taking any steps that will interfere with the Treasurer's pending lead plaintiff motion in the Freddie Mac case.

Sincerely yours,

A handwritten signature in cursive script that reads "William H. Narwold".

William H. Narwold

WHN/er

cc: *(via E-mail only)*

Richard H. Moore, Treasurer of the State of North Carolina