BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

SCOTT G. ALVAREZ
GENERAL COUNSEL

December 19, 2007

Thomas M. Mistele, Esq.
Chief Operating Officer and General Counsel
Dodge & Cox
555 California Street, 40th Floor
San Francisco, California 94104

Dear Mr. Mistele:

This is in response to your request for a determination that Dodge & Cox, San Francisco, California, may acquire up to 15 percent of any class of voting securities of a bank holding company or bank without being deemed to have acquired control of that institution under the Bank Holding Company Act ("BHC Act") or the Change in Bank Control Act ("CIBC Act") when the acquisition complies with certain conditions described in this letter and related correspondence.

Dodge & Cox proposes to acquire bank holding company and bank shares through a variety of customer accounts (the "Accounts") and investment funds ("Funds"), including open-end management investment companies registered under the Investment Company Act of 1940, that are advised by Dodge & Cox. For purposes of the BHC Act, a company controls a bank holding company or bank if the first company (i) directly or indirectly or acting through one or more other persons owns, controls, or has power to vote 25 percent or more of any class of voting securities of the bank holding company or bank; (ii) controls in any manner the election of a majority of the directors of the bank holding company or bank; or (iii) directly or indirectly exercises a controlling influence over the management or policies of the bank holding company or bank.[1] The

[1] 12 U.S.C. § 1841(a)(2); 12 C.F.R. 225.2(e).

Board's Regulation Y also sets forth a set of rebuttable presumptions of control for BHC Act purposes.[2] Under the proposal, Dodge & Cox would not own, control, or hold with power to vote 25 percent or more of a class of voting securities of, or control the election of a majority of the directors of, a bank holding company or bank. In addition, Dodge & Cox would not trigger any of the BHC Act rebuttable presumptions of control under Regulation Y with respect to any bank holding company or bank. Dodge & Cox would only be deemed to control a bank holding company or bank under the BHC Act if the Board were to find that Dodge & Cox exercises a controlling influence over the management or policies of a bank holding company or bank.

For purposes of the CIBC Act, Dodge & Cox is presumed by Regulation Y to control a bank holding company or state member bank if "immediately after the transaction ... [it] will own, control, or hold with power to vote 10 percent or more of any class of voting securities of the institution" and the institution has registered securities or no other person owns or controls a greater percentage of the same class of voting securities.[3] Dodge & Cox proposes at times to acquire in excess of 10 percent of a class of voting securities of a bank holding company or state member bank through the Funds and the Accounts, without regard to whether any such institution has registered securities or whether Dodge & Cox is the largest shareholder in the institution.

Dodge & Cox seeks to establish that it would not exercise a controlling influence over a bank holding company or bank for purposes of the BHC Act and to rebut the regulatory presumption of control for purposes of the CIBC Act in specific circumstances. In particular, Dodge & Cox, the Funds, and the Accounts collectively would not own or control more than 15 percent of any class of voting securities of a bank holding company or bank; and none of Dodge & Cox, any Fund, or any Account would individually own or control more than 10 percent of any class of voting securities of a bank holding company or bank. In addition, Dodge & Cox has committed to use its best efforts to vote shares owned

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[2] 12 C.F.R. § 225.31(d).

[3] 12 C.F.R. § 225.41(c).

or controlled by Dodge & Cox, any Fund, or any Account in excess of 10 percent ("excess shares") in the same proportion as all other shares that are not excess shares are voted. In the event that Dodge & Cox's best efforts are unsuccessful, Dodge & Cox would not vote any excess shares.

Moreover, Dodge & Cox has made a number of commitments designed to mitigate the ability of Dodge & Cox to control a bank holding company or bank. Among these commitments, Dodge & Cox has committed that, whenever Dodge & Cox, the Funds, and the Accounts own or control, in the aggregate, 10 percent or more of any class of voting securities of a bank holding company or bank, Dodge & Cox, the Funds, and the Accounts will not, individually or collectively:

1) take any action to control the bank holding company or bank within the meaning of the BHC Act;

2) have any director, officer, or employee interlocks with the bank holding company or bank;

3) except in the context of a tender offer or in certain other transactions, dispose of voting shares of the bank holding company or bank (i) to any person seeking control over the institution or (ii) in block transactions exceeding 5 percent of any class of voting shares of the institution; or

4) threaten to dispose of voting shares in any manner as a condition of specific action or non-action by the bank holding company or bank.[5]

In addition to considering these commitments, Board staff has considered the nature of Dodge & Cox and its proposed investments. Dodge & Cox operates and provides investment advice to the Funds and the Accounts, and

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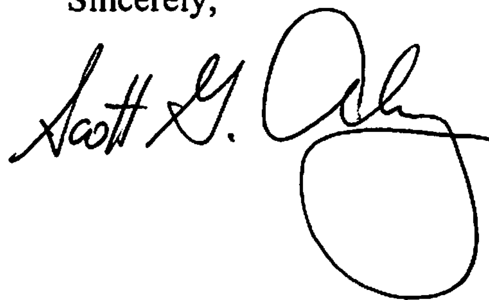
[5] For a complete list of the commitments that Dodge & Cox has made to the Board, see the Appendix.

the proposed acquisitions would not be proprietary investments by Dodge & Cox. Rather, they would be investments made by the Funds and on behalf of the beneficial owners of the Accounts. The Funds and the Accounts are not operating companies, and Dodge & Cox does not lend to the Funds or Accounts that it advises or to the portfolio companies of the Funds. Moreover, Dodge & Cox is not in the business of operating or controlling banks, bank holding companies, or other companies, and the proposed acquisitions will be made for investment purposes with the expectation of resale and not for the purpose of exercising a controlling influence over the management or policies of a bank holding company or bank.

In view of the commitments made by Dodge & Cox and the facts described in this letter, Board staff would not recommend that the Board find that acquisitions made within the parameters set forth in this letter would cause Dodge & Cox, any Account, or any Fund to control a bank holding company or bank for purposes of the BHC Act. Similarly, staff would not recommend that the Board find that acquisitions made within the parameters set forth in this letter would cause Dodge & Cox, any Account, or any Fund to control a bank holding company or state member bank for purposes of the CIBC Act.

The preceding opinions are based expressly on the facts and circumstances of this case as they have been described to Board staff, and any change in these facts or circumstances may result in a different opinion. In addition, this letter expresses no opinion as to whether a CIBC Act notice would be required for transactions involving direct investments in national banks or state non-member banks. If you have any questions about this matter, please contact Brian P. Knestout, Attorney (202-452-2249), of the Board's Legal Division.

Sincerely,



Commitments of Dodge & Cox to the Board

Investments by the Funds and Accounts in 10 percent or more of any class of voting securities of U.S. bank holding companies and banks (each, a "Bank") will be conducted in accordance with the commitments and restrictions listed below.

1. Dodge & Cox, the Funds, and the Accounts in the aggregate:

   (a) will not acquire more than fifteen percent of any class or series of voting securities of any Bank; and

   (b) will use best efforts to provide that shares in excess of 10 percent of any class or series of voting securities of a Bank ("excess shares") will be voted in proportion to the vote taken on all shares that are not excess shares or, in the event that such efforts to provide for mirror voting are not successful, will not vote any excess shares.

2. None of Dodge & Cox, the Funds, or the Accounts will, directly or indirectly, individually or in the aggregate:

   (a) take any action to cause a Bank or any of its subsidiaries to become a subsidiary of Dodge & Cox, a Fund or an Account for purposes of the BHC Act;

   (b) unless agreed to by the Federal Reserve Board or its staff, and permitted by applicable law, seek or accept representation on the board of directors of any Bank or its subsidiaries;

   (c) have or seek to have any representative of Dodge & Cox or the Funds serve as an officer, agent or employee of any Bank or its subsidiaries;

   (d) propose a director or a slate of directors in opposition to any nominee or slate of nominees proposed by the management or board of directors of any Bank;

   (e) exercise or attempt to exercise a controlling influence over the management or policies of any Bank or any of its subsidiaries; or

(f) attempt to influence the dividend policies; loan, credit, or investment decisions or policies; pricing of services; personnel decisions; operations activities (including the location of any offices or branches or their hours of operation, etc.); or any similar activities or decisions of any Bank or any of its subsidiaries.

3. None of Dodge & Cox, the Funds, or the Accounts will dispose of voting securities of a Bank:

(a) to any person if Dodge & Cox knows that such person seeks to change the control of the Bank in any manner; or

(b) to any person whom Dodge & Cox knows (i) has made a filing with the SEC or other federal agency with respect to the ownership of more than five percent of the Bank's voting securities, or (ii) would be required to do so as a result of the purchase from Dodge & Cox, a Fund, or an Account; or

(c) in an amount of more than 5 percent of the Bank's voting securities in any single transaction;

provided that notwithstanding paragraphs (a) through (c) above, the Funds and Accounts may dispose of their stock in a Bank in the following circumstances:

(i) in a cross trade between two or more Funds or Accounts in compliance with the rules governing such cross trades under the 1940 Act;

(ii) in the case of paragraph (c) above, in a bunched trade effected for two or more Funds or Accounts in compliance with the rules governing bunched trades under the 1940 Act;

(iii) in a sale by a Fund or Account to the Bank or one of its subsidiaries;

(iv) in a tender or exchange offer for voting stock of the Bank; or

(v) in one or more open market transactions effected on a stock exchange or in the over-the-counter market (which may include

a sale to one or more broker-dealers acting as market makers or otherwise intending to resell the shares sold to it or them in accordance with its or their normal business practices).

4. None of Dodge & Cox, the Funds, or the Accounts will threaten to dispose of voting securities in any manner as a condition of specific action or non-action by the Bank.

5. None of Dodge & Cox, any Fund, or any Account will individually own, control, or hold with power to vote more than 10 percent of any class of voting securities of a Bank.