

OFFICE OF THRIFT SUPERVISION

Approval of Operating Subsidiary Application

**Order No.: 2004-61
Date: December 27, 2004
Docket No.: 15377**

Legg Mason Trust, fsb, Baltimore, Maryland (Savings Bank) has applied to the Office of Thrift Supervision (OTS), pursuant to 12 U.S.C. § 1828(m) and 12 C.F.R. Part 559, to acquire an operating subsidiary, Barrett Associates, Inc. (Operating Subsidiary). The Operating Subsidiary is an investment management firm and is a registered investment advisor under the Investment Advisers Act of 1940. The Operating Subsidiary holds approximately 1.61 percent of the limited partnership interests of Barrett Capital Growth Partners, L.P. (Limited Partnership). The Limited Partnership's purpose is to invest in various securities on behalf of customers of the Operating Subsidiary who purchase interests in the Limited Partnership. The Operating Subsidiary is the general partner of the Limited Partnership, and provides investment advice to the Limited Partnership.

In the proposed transaction, the Savings Bank's holding company, Legg Mason, Inc., will contribute its present holdings of the Operating Subsidiary's stock to the Savings Bank, with the result that the Operating Subsidiary would become a direct subsidiary of the Savings Bank.

Generally, a federal savings association may invest in an operating subsidiary only if: (1) the operating subsidiary engages only in activities permissible for federal associations to engage in directly; (2) the federal association owns, directly or indirectly, more than 50 percent of the voting shares of the operating subsidiary; and (3) no person or entity other than the federal association exercises operating control over the operating subsidiary.

OTS has concluded that the proposed transaction meets these criteria, provided the conditions set forth below are satisfied. The Savings Bank may engage in investment advisory services, and therefore these activities are permissible for the Operating Subsidiary. OTS approved the Savings Bank's provision of this type of trust services when it approved the Savings Bank's permission to organize application. The Operating Subsidiary's minimal interest in the Limited Partnership is not necessarily permissible for federal savings associations, however, and therefore, OTS is imposing a condition requiring that the Operating Subsidiary, within three years of the consummation date of the proposed transaction, either divest the interests in the Limited Partnership, or obtain

OTS' concurrence that the Operating Subsidiary's retention of the Limited Partnership interests is permissible under the Home Owners' Loan Act.

The Savings Bank will hold more than 50 percent of the Operating Subsidiary's stock, and no other party will exercise effective operating control over the Operating Subsidiary.

OTS may, at any time, limit a savings association's investment in an operating subsidiary, or limit or refuse to permit an operating subsidiary's activities for supervisory, legal, or safety and soundness reasons. Based on the application, OTS concludes that the establishment of the Operating Subsidiary is not objectionable on supervisory or safety and soundness grounds, provided that the Savings Bank satisfies the conditions set forth below.

The proposed transaction is subject to OTS' Transactions With Affiliates Regulations (TWA Regulations), set forth at 12 C.F.R. § 563.41, which provide that a savings association must comply with sections 23A and 23B of the Federal Reserve Act, and the implementing regulations of the Board of Governors of the Federal Reserve System, set forth at 12 C.F.R. Part 223, as if the federal savings association were a member bank. The proposed transaction is a covered transaction within the scope of the TWA Regulations, and is subject to the quantitative limits of 12 C.F.R. §§ 223.11 and 223.12, and the collateral limitations of 12 C.F.R. § 223.14, unless an exemption is available.

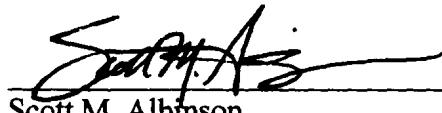
Pursuant to the TWA Regulations and 12 C.F.R. § 223.41(d), OTS may grant a savings association an exemption from the otherwise applicable quantitative and collateral TWA limitations for internal corporate reorganizations, provided that several requirements are satisfied. In this case, the proposed transaction complies with the relevant requirements. The proposed transaction involves the transfer of substantially all of the shares of an affiliate to the Savings Bank. The Savings Bank has provided notice of the transaction to OTS, and the notice describes the business activities of the Operating Subsidiary and the proposed date of the transaction. The Savings Bank's top-tier holding company has provided the requisite commitments to OTS. The majority of the Savings Bank's board of directors has approved the transaction. The value of the covered transaction (when aggregated with the value of other covered transactions under this exemption during the preceding 12 months) represents less than 25 percent of the Savings Bank's unimpaired capital and unimpaired surplus, and OTS has reviewed the Savings Bank's financial condition and the quality of the assets to be acquired, and finds the Savings Bank's financial condition and the quality of the transferred assets to be consistent with approval of the requested exemption. The Savings Bank's holding company and its sole depository institution, the Savings Bank, are well capitalized and well managed and would remain so upon consummation of the transaction. Accordingly, OTS hereby grants the requested exemption from the TWA Regulations for the proposed transaction.

For the reasons set forth above, OTS has concluded that the application satisfies all applicable approval standards and criteria, provided the Savings Bank complies with the conditions set forth below. Accordingly, the application is hereby approved, subject to the following conditions:

1. The proposed transaction must be consummated within 120 calendar days from the date of this Order;
2. On the business day prior to the consummation of the proposed transaction, the chief financial officers of the Savings Bank and the Operating Subsidiary must certify in writing to the Southeast Regional Director (Regional Director) that no material adverse changes have occurred with respect to the financial condition or operation of the Savings Bank or the Operating Subsidiary, respectively, as disclosed in the application. If additional information having an adverse bearing on any feature of the application is brought to the attention of the Savings Bank or the Operating Subsidiary, or OTS since the date of the financial statements submitted with the application, the transaction must not be consummated unless the information is presented to the Regional Director, and the Regional Director, or his designee, provides written non-objection to consummation of the transaction;
3. The activities of the Operating Subsidiary must be conducted in accordance with the representations made in the application, as amended; and
4. Within three years of the date of consummation of the transaction, the Operating Subsidiary must divest its interest in the Limited Partnership or obtain OTS' concurrence that the Operating Subsidiary's retention of the Limited Partnership interests is permissible under the Home Owners' Loan Act.

Any time period set forth herein may be extended for up to 120 calendar days, for good cause, by the Regional Director, or his designee.

By order of the Director of the Office of Thrift Supervision, or his designee, effective
December 27, 2004.



Scott M. Albinston
Managing Director
Office of Examinations, Supervision, and
Consumer Protection