

OFFICE OF THRIFT SUPERVISION

Acceptance of Rebuttal of Control

Order No.: 2007-46

Date: October 2, 2007

Davis Selected Advisers, L.P. (Investment Advisor), Davis Investments, LLC, Tucson, Arizona, and Christopher C. Davis, New York, New York (collectively, the Acquirors), have filed a Rebuttal of Control, pursuant to 12 C.F.R. § 574.4(e) regarding their acquisition of more than 10 percent of the voting securities of H&R Block, Inc., Kansas City, Missouri (Block).

Background

The Acquirors request that the Office of Thrift Supervision (OTS) accept their Rebuttal of Control. The Rebuttal of Control asserts that the Acquirors will not directly or indirectly acquire control of Block, as a result of the Investment Advisor, in the ordinary course of its businesses, acquiring securities on behalf of its clients solely for investment purposes. In support of the Rebuttal of Control, the Acquirors have submitted a draft Rebuttal of Control Agreement.

Regulatory Considerations

The Control Regulations state that an acquiror is deemed, subject to rebuttal, to have acquired control of a savings association¹ if the acquiror, directly or indirectly, or through one or more subsidiaries or transactions or acting in concert with one or more persons or companies, acquires more than 10 percent of any class of voting stock of a savings association and is subject to any control factor, as described in 12 C.F.R. § 574.4(c).²

Parties attempting to rebut control are required to file a submission setting forth facts and circumstances supporting their contention that no control relationship would exist after the proposed acquisition. In addition, such parties must file a rebuttal of control agreement.

OTS may reject any control rebuttal that is inconsistent with the facts and circumstances known to it, or which does not clearly and convincingly rebut the presumption of control. If OTS concludes that it would be injudicious to rely on an

¹ The definition of "savings association" includes savings and loan holding companies. See 12 C.F.R. § 574.2(p) (2007).

² 12 C.F.R. §§ 574.4(b)(1)(i) and 574.4(c) (2007).

acquiror's representations, based on past activities of the acquiror, or other concerns, OTS may conclude that the acquiror has not clearly and convincingly rebutted a determination of control. In addition, an acquiror that is in conclusive control of a savings association may not rebut control of that savings association.

Discussion

The Acquirors have filed a written submission setting forth facts and circumstances in support of their contention that no control relationship exists between the Acquirors and Block. The Acquirors represent that the Investment Advisor acquires shares on behalf of its clients for investment purposes only, in the ordinary course of business, and that they would not seek to exert control over Block. The Acquirors would not acquire more than 25 percent of any class of Block's securities.

The Acquirors have submitted a rebuttal of control agreement that includes three material differences from the standard rebuttal agreement set forth at 12 C.F.R. § 574.100.

The Acquirors previously have entered into agreements with H&R Block Financial Advisors, Inc. (Financial Advisors), a subsidiary of Block, for Financial Advisors to distribute the Davis Funds and Davis Select Funds (Davis Funds), *i.e.*, to invest Financial Advisors' clients' funds in the Davis Funds. Section II.A.3. is revised to allow the Acquirors to continue to engage in these transactions with Financial Advisors. Also, section II.B. is revised to refer to the agreements with Financial Advisors with respect to the investments by Financial Advisors on behalf of its clients in Davis Funds and Davis Select Funds.

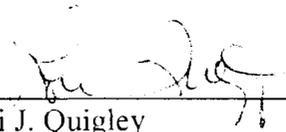
OTS finds that the proposed modification does not contravene the purposes of the rebuttal agreement. The Acquirors state that such transactions have been entered into on an arms-length basis and in the ordinary course of business and do not provide an indirect means for the Acquirors to exercise control over Block. The Acquirors point out that there are numerous other parties who would be capable of providing similar investment products, and that Financial Advisors has other investment options in the market place, and therefore, this situation provides no ability for the Acquirors to exert control over Block. Also, under any such arrangement, the Acquirors and Financial Advisors would be subject to fiduciary obligations in the provision of such investment products. Finally, the Acquirors have stated that any such products would be provided at market rates and on market terms.

Section II.A.6.(e) of the agreement, which would otherwise bar an acquiror from seeking or accepting non-public information from the subject of a rebuttal of control agreement, would be revised to insert the word "material" before "non-public information." The Acquirors have filed materials indicating that in their business it is customary to have contacts with companies in which their clients invest, and in the course of such contacts, immaterial non-public information is sometimes exchanged.

OTS believes that this modification does not contravene the purposes of the rebuttal agreement. The Acquirors would be seeking contacts in the same manner as other investment advisers and, provided the nonpublic information obtained is not material, it should not enable the Acquirors to influence or control Block

On the basis of the facts presented by the Acquirors, OTS has no objection to these modifications because the modifications do not adversely affect the efficacy of the

By order of the Director of the Office of Thrift Supervision, or his designee,
effective July 26, 2007.



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