

FEDERAL RESERVE SYSTEM

Mitsubishi UFJ Financial Group, Inc.  
Tokyo, Japan

Statement by the Board of Governors of the Federal Reserve System Regarding the Application and Notices by Mitsubishi UFJ Financial Group, Inc., to Acquire Interests in a Bank Holding Company and Certain Nonbanking Subsidiaries

By Order dated October 6, 2008, the Board approved the application of Mitsubishi UFJ Financial Group, Inc. (“MUFG”), a foreign banking organization that is a financial holding company<sup>1</sup> for purposes of the Bank Holding Company Act (“BHC Act”), under section 3 of the BHC Act<sup>2</sup> to acquire up to 24.9 percent of the voting shares of Morgan Stanley (“Morgan”), New York, New York, and thereby indirectly acquire an interest in Morgan’s subsidiary bank, Morgan Stanley Bank, National Association (“MS Bank”), Salt Lake City, Utah.<sup>3</sup> In addition, the Board approved MUFG’s notice under sections 4(c)(8) and (4)(j) of the BHC Act to acquire an indirect interest in Morgan’s subsidiary savings association, Morgan Stanley Trust (“MST”), Jersey City, New Jersey, and

---

<sup>1</sup> The elections by MUFG, The Bank of Tokyo-Mitsubishi UFJ, Ltd., and Mitsubishi UFJ Trust and Banking Corporation, all of Tokyo, and UnionBanCal Corporation, San Francisco, California, to become financial holding companies pursuant to sections 4(k) and (l) of the BHC Act and sections 225.82(b)(1) and 225.91(b)(1) of Regulation Y became effective as of October 6, 2008. See Board letter to Donald J. Toumey, Esq., dated October 6, 2008.

<sup>2</sup> 12 U.S.C. § 1842. See 12 CFR 225.15.

<sup>3</sup> As a result of acquiring Morgan’s voting shares, MUFG would acquire an indirect interest in Morgan Stanley Capital Management LLC and Morgan Stanley Domestic Holdings, Inc., both financial holding companies of New York, New York.

Morgan's subsidiary trust company, Morgan Stanley Trust National Association (“MSTNA”), Wilmington, Delaware.<sup>4</sup> The Board also approved MUFG’s notice of its proposal to acquire an indirect interest in the foreign bank subsidiaries of Morgan under section 4(c)(13) of the BHC Act.<sup>5</sup> The Board hereby issues this Statement regarding its approval Order.

In light of the unusual and exigent circumstances affecting the financial markets, and all other facts and circumstances, the Board has determined that emergency conditions exist that justify expeditious action on this proposal.<sup>6</sup> The Board has provided notice to the Office of the Comptroller of the Currency (“OCC”) and the Office of Thrift Supervision (“OTS”), the primary federal supervisors of MS Bank and MST, respectively, and to the Department of Justice (“DOJ”); those agencies have indicated that they have no objection to the consummation of the proposal.<sup>7</sup> For the same reasons, and in light of the fact that this transaction represents a minority, noncontrolling investment in Morgan

---

<sup>4</sup> 12 U.S.C § 1843(c)(8) and (j). See 12 CFR 225.24. The Board previously has determined by regulation that the operation of a savings association and a trust company by a bank holding company is closely related to banking for purposes of section 4(c)(8) of the BHC Act. 12 CFR 225.28(b)(4)(ii) and (5).

<sup>5</sup> 12 U.S.C. § 1843(c)(13).

<sup>6</sup> See 12 U.S.C. §§ 1842(b)(1) and 1843(i)(4).

<sup>7</sup> Section 3(b)(1) of the BHC Act requires that the Board provide notice of an application under section 3 to the appropriate federal or state supervisory authority for the bank to be acquired and provide the supervisor a period of time (normally 30 days) within which to submit views or recommendations on the proposal. Section 4(i)(4) of the BHC Act imposes a similar requirement with respect to a notice to acquire a savings association. Sections 3(b)(1) and 4(i)(4) also permit the Board to shorten or waive this notice period in certain circumstances. 12 U.S.C. §§ 1842(b)(1) and 1843(i)(4); 12 CFR 225.16(g)(2).

and its subsidiary depository institutions, the Board has waived public notice of the proposal.<sup>8</sup>

MUFG, with total consolidated assets of approximately \$1.7 trillion as of December 31, 2007, is the largest banking organization in Japan. MUFG owns The Bank of Tokyo-Mitsubishi UFJ, Ltd. (“BTMU”) and Mitsubishi UFJ Trust and Banking Corporation (“MUTB”), both of Tokyo. BTMU operates branches, agencies, and representative offices in several states.<sup>9</sup> It also controls Bank of Tokyo-Mitsubishi UFJ Trust Company (“BTMUT”), New York, New York, and UnionBanCal Corporation and its subsidiary bank, Union Bank of California, N.A. (“Union Bank”), both of San Francisco. MUTB operates a branch in New York, New York, and controls Mitsubishi UFJ Trust & Banking Corporation (U.S.A.) (“MUTB USA”), New York, New York. MUFG controls deposits of approximately \$42 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.<sup>10</sup>

Morgan, with total consolidated assets of approximately \$1.0 trillion, engages in investment banking, securities underwriting and dealing, asset management, trading, and other activities both in and outside the United States.<sup>11</sup> Its principal subsidiaries include Morgan Stanley & Co., Incorporated, New York, New York, a broker-dealer registered with the Securities and Exchange Commission under the Securities Exchange Act

---

<sup>8</sup> 12 CFR 225.16(b)(3), 225.25(d), and 262.3(l).

<sup>9</sup> BTMU operates branches in California, Illinois, New York, Oregon, and Washington; agencies in Georgia and Texas; and has representative offices in the District of Columbia, Kentucky, Minnesota, New Jersey, and Texas.

<sup>10</sup> Deposit data for MUFG's subsidiary banks are as of June 30, 2008.

<sup>11</sup> Asset data for Morgan are as of May 31, 2008, and asset and deposit data for MS Bank and MST are as of June 30, 2008.

of 1934 (15 U.S.C. § 78a et seq.). Through MS Bank and MST, Morgan controls deposits of approximately \$34.8 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.<sup>12</sup> If MUFG were deemed to control Morgan, MUFG would become the 14th largest depository organization in the United States, with total consolidated assets of approximately \$2.7 trillion, and would control deposits of approximately \$76.6 billion.

### Noncontrolling Investment

Although the acquisition of less than a controlling interest in a bank or bank holding company is not a normal acquisition for a bank holding company, the requirement in section 3(a)(3) of the BHC Act to obtain the Board's approval before a bank holding company acquires more than 5 percent of the voting shares of a bank suggests that Congress contemplated acquisitions by bank holding companies of between 5 and 25 percent of the voting shares of banks.<sup>13</sup> On this basis, the Board previously has approved the acquisition by a bank holding company of less than a controlling interest in a bank or bank holding company.<sup>14</sup>

MUFG has stated that it does not propose to control or exercise a controlling influence over Morgan and that its indirect investment in Morgan's subsidiary depository institutions would also be a passive investment. MUFG

---

<sup>12</sup> In this context, the "United States" includes any state of the United States, the District of Columbia, any territory of the United States, Puerto Rico, Guam, American Samoa, and the Virgin Islands. Also in this context, depository institutions include commercial banks, savings banks, and savings associations.

<sup>13</sup> See 12 U.S.C. § 1842(a)(3).

<sup>14</sup> See, e.g., The Bank of Nova Scotia, 93 Federal Reserve Bulletin C136 (2007); Passumpsic Bancorp, 92 Federal Reserve Bulletin C175 (2006); Brookline Bancorp, MHC, 86 Federal Reserve Bulletin 52 (2000).

has provided certain commitments that are similar to commitments previously relied on by the Board in determining that an investing bank holding company would not be able to exercise a controlling influence over another bank holding company for purposes of the BHC Act. For example, MUFG has committed not to exercise or attempt to exercise a controlling influence over the management or policies of Morgan or any of its subsidiaries and committed not to have more than one representative serve on the board of directors of Morgan or its subsidiaries.<sup>15</sup> The commitments also include certain restrictions on the business relationships of MUFG with Morgan.

Based on these considerations and all the other facts of record, the Board has concluded that MUFG would not acquire control of, or have the ability to exercise a controlling influence over, Morgan or its subsidiary depository institutions through the proposed acquisition of Morgan's voting shares. The Board notes that the BHC Act would require MUFG to file an application and receive the Board's approval before it could directly or indirectly acquire additional shares of Morgan or attempt to exercise a controlling influence over Morgan.<sup>16</sup>

### Competitive Considerations

The Board has carefully considered the competitive effects of the proposal in light of all the facts of record. Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would

---

<sup>15</sup> Consistent with the Board's policy statement on equity investments in banks and bank holding companies, MUFG proposes also to have a representative serve as an observer at meetings of Morgan's board of directors. See Policy Statement on Equity Investments in Banks and Bank Holding Companies (September 22, 2008) (<http://www.federalreserve.gov/newsevents/press/bcreg/20080922c.htm>).

<sup>16</sup> See, e.g., Emigrant Bancorp, Inc., 82 Federal Reserve Bulletin 555 (1996); First Community Bancshares, Inc., 77 Federal Reserve Bulletin 50 (1991).

be in furtherance of any attempt to monopolize the business of banking in any relevant banking market. The BHC Act also prohibits the Board from approving a proposal that would substantially lessen competition in any relevant banking market, unless the anticompetitive effects of the proposal clearly are outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.<sup>17</sup> Under the public benefits factor of section 4 of the BHC Act, the Board also considers the competitive effects of a proposal to acquire a savings association.

The Board previously has stated that one company need not acquire control of another company to lessen competition between them substantially.<sup>18</sup> The Board has found that noncontrolling interests in directly competing depository institutions may raise serious questions under the BHC Act and has stated that the specific facts of each case will determine whether the minority investment in a company would be anticompetitive.<sup>19</sup>

The subsidiary insured depository institutions of MUFG and MST compete directly in the Metropolitan New York-New Jersey-Pennsylvania-Connecticut (“Metro New York”) banking market.<sup>20</sup> The Board has reviewed

---

<sup>17</sup> 12 U.S.C. § 1842(c)(1).

<sup>18</sup> See, e.g., SunTrust Banks, Inc., 76 Federal Reserve Bulletin 542 (1990).

<sup>19</sup> See, e.g., BOK Financial Corp., 81 Federal Reserve Bulletin 1052, 1053-54 (1995).

<sup>20</sup> The Metro New York banking market includes Bronx, Dutchess, Kings, Nassau, New York, Orange, Putnam, Queens, Richmond, Rockland, Suffolk, Sullivan, Ulster, and Westchester Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, and Warren Counties and the northern portions of Mercer County in New Jersey; Monroe and Pike Counties in Pennsylvania; and Fairfield County and portions of Litchfield and New Haven Counties in Connecticut.

carefully the competitive effects of the proposal in the Metro New York banking market in light of all the facts of record. In particular, the Board has considered the number of competitors that would remain in the banking market, the relative shares of total deposits in depository institutions in the market (“market deposits”) controlled by MUFG and Morgan,<sup>21</sup> and the concentration level of market deposits and the increase in that level as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice Merger Guidelines (“DOJ Guidelines”).<sup>22</sup> Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Guidelines in the Metro New York banking

---

<sup>21</sup> Deposit and market share data are based on data reported by insured depository institutions in the summary of deposits data as of June 30, 2007, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See, e.g., Midwest Financial Group*, 75 Federal Reserve Bulletin 386 (1989); *National City Corporation*, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board regularly has included thrift deposits in the market share calculation on a 50 percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 Federal Reserve Bulletin 52 (1991).

<sup>22</sup> Under the DOJ Guidelines, a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI exceeds 1800. The Department of Justice (“DOJ”) has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The DOJ has stated that the higher-than-normal HHI thresholds for screening bank mergers and acquisitions for anticompetitive effects implicitly recognize the competitive effects of limited-purpose and other nondepository financial entities.

market. On consummation, the Metro New York banking market would remain moderately concentrated, and numerous competitors would remain in the market.<sup>23</sup>

The DOJ also has reviewed the proposal and has advised the Board that it does not believe that MUFG's proposal would likely have a significantly adverse effect on competition in any relevant banking market. The appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all the facts of record, the Board has concluded that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in any relevant banking market. Accordingly, the Board has determined that competitive factors are consistent with approval of the proposal.

#### Financial, Managerial, and Other Supervisory Considerations

Section 3 of the BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and depository institutions involved in the proposal and certain other supervisory factors. The Board also reviews financial and managerial resources of the organizations involved in a proposal under section 4 of the BHC Act.<sup>24</sup> The Board has carefully considered these factors in light of all the facts of record, including confidential supervisory and examination information from the various U.S. banking supervisors of the institutions involved, publicly reported and other financial information, and information provided by MUFG. In addition, the Board has

---

<sup>23</sup> On consummation, the HHI would remain unchanged at 1146, and 265 insured depository institution competitors would remain in the Metro New York banking market. The deposits of MUFG and Morgan, on a combined basis, would represent less than 1 percent of market deposits.

<sup>24</sup> 12 CFR 225.26(b).



consulted with the Japanese Financial Services Agency (“FSA”), the agency with primary responsibility for the supervision and regulation of Japanese banking organizations, including MUFG.

In evaluating the financial resources in expansion proposals by banking organizations, the Board reviews the financial condition of the organizations involved both on a parent-only and on a consolidated basis, as well as the financial condition of the subsidiary insured depository institutions and significant nonbanking operations. In this evaluation, the Board considers a variety of information, including capital adequacy, asset quality, and earnings performance. In assessing financial resources, the Board consistently has considered capital adequacy to be especially important. The Board also evaluates the financial condition of the pro forma organization, including its capital position, asset quality, and earnings prospects, and the impact of the proposed funding of the transaction.

The Board has carefully considered the financial resources of the organizations involved in the proposal. The capital levels of MUFG exceed the minimum levels that would be required under the Basel Capital Accord and are therefore considered to be equivalent to the capital levels that would be required of a U.S. banking organization. In addition, the subsidiary depository institutions involved in the proposal are well capitalized and would remain so on consummation. Based on its review of the record, the Board finds that MUFG has sufficient financial resources to effect the proposal.

The Board also has carefully considered the managerial resources of the organizations involved. The Board has reviewed the examination records of MUFG, its depository institutions, and the U.S. banking operations of Morgan, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered its supervisory experiences

and those of other relevant banking supervisory agencies with the organizations and their records of compliance with applicable banking law and with anti-money laundering laws.

Based on all the facts of record, the Board has concluded that considerations relating to the managerial resources and future prospects of the organizations involved are consistent with approval. Section 3 of the BHC Act also provides that the Board may not approve an application involving a foreign bank unless the bank is subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in the bank's home country.<sup>25</sup> As noted, the FSA is the primary supervisor of Japanese banking organizations. The Board previously has determined that BTMU and MUTB are subject to comprehensive supervision on a consolidated basis by their home country supervisor.<sup>26</sup> In that determination, the Board took into account the FSA's supervisory authority with respect to MUFG (operating at that time as Mitsubishi Tokyo Financial Group, Inc.) and its nonbanking subsidiaries.<sup>27</sup> Based on this finding and all the facts of record, the Board has concluded that BTMU and

---

<sup>25</sup> 12 U.S.C. § 1843(c)(3)(B). As provided in Regulation Y, the Board determines whether a foreign bank is subject to consolidated home country supervision under the standards set forth in Regulation K. See 12 CFR 225.13(a)(4). Regulation K provides that a foreign bank will be considered subject to comprehensive supervision or regulation on a consolidated basis if the Board determines that the bank is supervised or regulated in such a manner that its home country supervisor receives sufficient information on the worldwide operations of the bank, including its relationship with any affiliates, to assess the bank's overall financial condition and its compliance with laws and regulations. See 12 CFR 211.24(c)(1).

<sup>26</sup> See Mitsubishi Tokyo Financial Group, Inc., 87 Federal Reserve Bulletin 349 (2001). At that time, BTMU was named The Bank of Tokyo-Mitsubishi, Ltd. and MUTB was named The Mitsubishi Trust and Banking Corporation.

<sup>27</sup> Id.

MUTB continue to be subject to comprehensive supervision on a consolidated basis by their home country supervisor.

Based on all the facts of record, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of the organizations involved in the proposal are consistent with approval, as are the other supervisory factors.<sup>28</sup>

#### Convenience and Needs and CRA Performance Considerations

In acting on a proposal under section 3 of the BHC Act, the Board also must consider the effects of the proposal on the convenience and needs of the communities to be served and take into account the records of the relevant insured depository institutions under the Community Reinvestment Act (“CRA”).<sup>29</sup> In addition, the Board must review the records of performance under the CRA of

---

<sup>28</sup> Section 3 of the BHC Act also requires the Board to determine that an applicant has provided adequate assurances that it will make available to the Board such information on its operations and activities and those of its affiliates that the Board deems appropriate to determine and enforce compliance with the BHC Act. 12 U.S.C. § 1842(c)(3)(A). The Board has reviewed the restrictions on disclosure in the relevant jurisdictions in which the applicant operates and has communicated with relevant government authorities concerning access to information. In addition, MUFG previously has committed that, to the extent not prohibited by applicable law, it will make available to the Board such information on the operations of its affiliates that the Board deems necessary to determine and enforce compliance with the BHC Act, the International Banking Act, and other applicable federal law. MUFG also previously has committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary to enable its affiliates to make such information available to the Board. In light of these commitments, the Board has concluded that MUFG has provided adequate assurances of access to any appropriate information the Board may request.

<sup>29</sup> 12 U.S.C. § 2901 et seq.; 12 U.S.C. § 1842(c)(2).

the relevant insured depository institutions when acting on a notice under section 4 of the BHC Act to acquire voting securities of an insured savings association.<sup>30</sup>

As provided in the CRA, the Board has evaluated the proposal in light of the evaluations by the appropriate federal supervisors of the CRA performance records of the relevant insured depository institutions. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.<sup>31</sup>

MUFG's subsidiary banks each received "outstanding" or "satisfactory" ratings, and MS Bank received an "outstanding" rating, at their most recent evaluations for CRA performance by the OCC or the Federal Deposit Insurance Corporation ("FDIC").<sup>32</sup> Consistent with the CRA regulations adopted by the federal banking agencies, BTMUT, MUTB USA, and MS Bank were evaluated under the community development test as wholesale banks.<sup>33</sup>

---

<sup>30</sup> See, e.g., North Fork Bancorporation, Inc., 86 Federal Reserve Bulletin 767 (2000).

<sup>31</sup> See Interagency Questions and Answers Regarding Community Reinvestment, 66 Federal Register 36,620 at 36,640 (2001); 72 Federal Register 37,922 at 37,951 (2007).

<sup>32</sup> The most recent CRA performance evaluation of Union Bank, the largest of MUFG's subsidiary banks, by the OCC was as of October 2005. The most recent CRA performance evaluations of BTMUT ("outstanding") and MUTB USA ("satisfactory") by the FDIC were as of September 2007 and December 2006, respectively. MS Bank received an "outstanding" rating under the CRA at its most recent performance evaluation by the FDIC, as of January 2006. MSTNA is not an insured depository institution, and MST is not subject to the CRA pursuant to regulations issued by the OTS. See 12 CFR 563e.11(c)(2).

<sup>33</sup> See, e.g., 12 CFR 228.21(a)(2).

Based on all the facts of record, the Board has concluded that considerations relating to convenience and needs of the communities to be served and the CRA performance records of the relevant depository institutions are consistent with approval of the proposal.

#### Nonbanking Activities

As noted above, MUFG has filed a notice under sections 4(c)(8) and 4(j) of the BHC Act for its proposed indirect investment in MST and MSTNA, which are engaged in activities that the Board has determined by regulation are so closely related to banking as to be a proper incident thereto for purposes of section 4(c)(8) of the BHC Act.<sup>34</sup> To approve this notice, the Board must also determine that the proposed acquisition of MST and MSTNA “can reasonably be expected to produce benefits to the public that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices.”<sup>35</sup>

As part of its evaluation of the public interest factors under section 4 of the BHC Act, the Board has reviewed carefully the public benefits and possible adverse effects of the proposal. The record indicates that consummation of the proposal would result in benefits to customers currently served by Morgan. MUFG’s investment in Morgan, and thus indirectly in MST and MSTNA, would strengthen Morgan’s capital position and allow Morgan to better serve its customers. For the reasons discussed above and based on the entire record, the Board has determined that the conduct of the proposed nonbanking activities within the framework of Regulation Y and Board precedent is not likely to result

---

<sup>34</sup> See 12 CFR 225.28(b)(4)(ii) and (5).

<sup>35</sup> See 12 U.S.C. § 1843(j)(2)(A).

in adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices.

Based on all the facts of record, the Board concludes that consummation of the proposal can reasonably be expected to produce public benefits that would outweigh any likely adverse effects. Accordingly, the Board has determined that the balance of the public benefits under section 4(j)(2) of the BHC Act is consistent with approval.

MUFG also provided notice of its proposal to acquire an indirect interest in the foreign bank subsidiaries of Morgan under section 4(c)(13) of the BHC Act. Based on the record, the Board has no objection to the acquisition of such interest.<sup>36</sup>

### Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the application and notices should be, and hereby are, approved. In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act. As noted in the Board's Order approving MUFG's proposal, the Board's approval is specifically conditioned on compliance by MUFG with all the commitments made to the Board in connection with MUFG's application and notices. The Board's approval of the nonbanking aspects of the proposal is also subject to all the conditions set forth in

---

<sup>36</sup> Morgan became subject to the BHC Act on September 21, 2008, and as a new bank holding company has a two-year period, with the possibility of three one-year extensions, to conform its existing nonbanking investments and activities to the requirements of section 4 of the BHC Act. 12 U.S.C. § 1842(a)(2). MUFG, as a financial holding company, may acquire more than 5 percent of the voting shares of a company, such as Morgan, that is substantially engaged in financial activities subject to a two-year divestiture period. 12 CFR 225.85(a)(3).

Regulation Y, including those in sections 225.7 and 225.25(c),<sup>37</sup> and to the Board's authority to require such modification or termination of the activities of MUFG or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decisions and, as such, may be enforced in proceedings under applicable law.

October 7, 2008

*(signed)*

---

Robert deV. Frierson  
Deputy Secretary of the Board

---

<sup>37</sup> 12 CFR 225.7 and 225.25(c).