

May 17, 2007

Ms. Cary K. Williams  
Assistant General Counsel  
Designated Agency Ethics Official  
Board of Governors of the Federal Reserve System  
Washington, D.C. 20551

Dear Ms. Williams:

In connection with my nomination by President Bush to be a member of the Board of Governors of the Federal Reserve System ("Board"), I wish to inform you of certain actions I will take in the event of my Senate confirmation in order to avoid any conflict of interest or the appearance of such conflict between my personal interests and my official responsibilities as a member of the Board.

As required by 18 U.S.C. § 208(a), I will not participate personally and substantially in any particular matter that has a direct and predictable effect on my financial interests or those of any other person whose interests are imputed to me, unless I first obtain a written waiver, pursuant to section 208(b)(1), or qualify for a regulatory exemption, pursuant to section 208(b)(2). I understand that the interests of the following persons are imputed to me: my spouse, minor children, or any general partner; any organization in which I serve as officer, director, trustee, general partner or employee; and any person or organization with which I am negotiating or have an arrangement concerning prospective employment.

Employment With TowneBank

I presently serve as Senior Executive Vice President, Chief Operating Officer and a Director of TowneBank, a community bank in Virginia, where I have been employed since October 2005. After confirmation, but before my appointment, I will resign from this position. For the first year of my service on the Board, I will not participate personally and substantially in any particular matter involving specific parties in which

TowneBank is a party or represents a party, unless I first receive authorization under 5 C.F.R. § 2635.502(d) to participate in such matter.

I understand that the Federal Reserve Act prohibits Board members from owning stock in banking organizations. During the course of my employment with TowneBank, I have acquired TowneBank stock, stock options and restricted stock units, all of which I will divest as described below.

I currently own shares of TowneBank common stock and a TowneBank bond convertible to TowneBank stock. If the Senate confirms my nomination, I agree to divest these shares and the convertible bond before I take the oath of office as a Board member. (TowneBank policy regarding the timing of trades by certain senior executives may affect when the stock is divested, but I will not take the oath of office and begin my duties until I have divested this stock.)

I also have vested qualified employee stock options for shares of TowneBank common stock. I will forfeit, as of the date of my resignation, all TowneBank options that are "under water" as of such date. I will exercise any vested options that are "in the money" and divest the stock before I take the oath of office as a Board member. (TowneBank policy regarding the timing of trades by certain senior executives may affect when the stock is divested, but I will not take the oath of office and begin my duties until I have exercised these options and divested the stock.) I will forfeit, as of the date of my resignation, both my nonvested qualified stock options for shares of TowneBank common stock and my restricted shares of TowneBank stock that have not vested as of such date. In addition, my TowneBank 401(K) and SERP will be distributed upon my employment termination and rolled over into an IRA. I will divest the TowneBank stock in the 401(K) before I take the oath of office as a Board member.

#### Employment with Wachovia

Prior to joining TowneBank, I was an executive vice president of Wachovia Bank, N.A. which I joined upon its acquisition of my previous employer, South Trust Bank. I left Wachovia in October of 2005. As a result of my employment with Wachovia I received Wachovia common stock. If the Senate confirms my nomination, I agree to divest these shares before I take the oath of office as a Board member. I also have vested options for Wachovia common stock. I will exercise any vested

options that are "in the money" and divest the stock before I take the oath of office as a Board member. I will forfeit, as of the date of my resignation, all Wachovia options that are "under water" as of such date.

I have a vested interest in Wachovia's defined benefit pension plan, with unreduced monthly payments beginning in 2017. Pursuant to 18 U.S.C. § 208, I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the ability or willingness of Wachovia to provide this benefit, unless I first obtain a written waiver or qualify for a regulatory exemption.

#### Other Divestitures

In addition to the stock I own in TowneBank and Wachovia, I currently own stock in Bank of Hawaii Corp, B3&T Corp, KeyCorp. Inc., Wells Fargo and Co., and Fulton Financial Corp. I have been advised that these are prohibited holdings for Federal Reserve governors. Accordingly, if the Senate confirms my nomination, I will divest these interests after my appointment but before I take the oath of office as a Board member.

I have a limited partnership interest in land on which an office building is located in Norfolk, Virginia. The land is leased to the building's owners. I have been performing certain accounting functions for the limited partnership. If my nomination is confirmed by the Senate, I will relinquish these responsibilities. During my appointment, I will not provide any services to this limited partnership, and I will become only a passive investor.

#### Trust Interest

My late father's will established a trust for the benefit of my step-mother as income beneficiary for her lifetime with the remainder going to my two sisters and myself. I am currently the co-trustee. The trust currently holds certain assets such as U.S. Treasury notes, bank stock and FNMA stock that could present a conflict of interest with the duties of a Federal Reserve governor. If the Senate confirms my nomination, I agree to resign from my position as trustee of the testamentary trust.

Executor Position

I am currently serving as executor for my late mother's estate and am in the process of overseeing the distribution of the estate's assets. The estate holds stock in both TowneBank and Wachovia. I am making every effort to complete the distribution as soon as possible and expect that it will be finished before my Senate confirmation hearing. If for some reason, the assets have not been distributed by the time of my Senate confirmation, I agree to sell the estate's bank stock and distribute the cash proceeds to the beneficiaries, including myself, prior to my appointment.

Outside Positions

I was the Immediate Past Chairman<sup>1</sup> and a member of the board of the American Bankers' Association ("ABA") until October, 2006. I presently serve as a faculty member and a member of the faculty advisory group of the Consumer Bankers' Association, and as a member of the executive advisory council of Old Dominion University's Business School. I also serve as a member of the Virginia Bankers' Association political action committee (VBA BankPac), though I have not as yet attended a meeting. In the event my nomination is confirmed by the Senate, I will resign from these positions prior to my appointment. In addition, for a period of one year from the date of my resignation from these organizations, I will not participate personally and substantially in any particular matter involving specific parties in which any of these entities is a party or represents a party, unless I have received authorization under 5 C.F.R. § 2635.502(d) to participate in such matter.

Sincerely,



Elizabeth A. Duke

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<sup>1</sup> For the year following Chairmanship, the ABA Chairman serves as Chairman of the Nominating Committee.