

PENNSYLVANIA ASSOCIATION OF COMMUNITY BANKERS

2405 N. Front Street • P.O. Box 5319 • Harrisburg, PA 17110-5319
717-231-7447 • (IN PA) 1-800-443-5076 • FAX 717-231-7445
Website: www.pacb.org

August 11, 2006

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, N.W.
Washington, DC 20552

Re: Proposed Rulemaking No. 2006-29

Dear Sir or Madam:

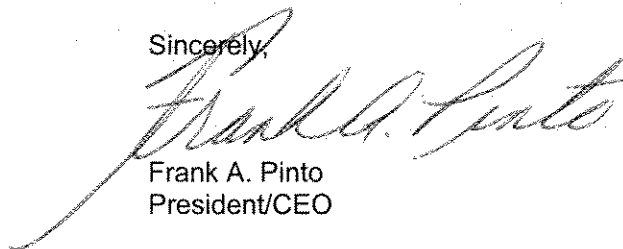
I am writing on behalf of the Pennsylvania Association of Community Bankers ("PACB") in support of a proposed rulemaking by the Office of Thrift Supervision ("OTS") captioned "Stock Benefit Plans in Mutual-to-Stock Conversions and Mutual Holding Company Structures," (No. 2006-29) (hereinafter referred to as the "Proposed Rulemaking").

The PACB represents more than 170 community-based institutions from across the Commonwealth of Pennsylvania. Many of our members are mutual institutions or mutual holding companies and, as such, the Proposed Rulemaking will affect many of our members. The PACB is in full support of the Proposed Rulemaking. We note that, among other things, the Proposed Rulemaking will make clear that the OTS will require that stock benefit plans be approved by a majority vote of the minority shares (*i.e.*, shares held by persons other than the mutual holding company) only if adopted within the first year after a minority stock issuance. We fully concur with the OTS conclusion that the current rule is "unduly restrictive" and strongly support the proposed rule change. Adoption of the Proposed Rulemaking will ensure that the very purpose of the mutual holding company charter form is preserved. The United States Congress, the Pennsylvania legislature and many other state legislatures authorized the chartering of mutual holding companies in order to permit mutual institutions to adopt a corporate structure that would allow them to access the capital markets while ensuring the continuity of the mutual institution. A primary objective of such legislation was to ensure that control of the institution by its longstanding trustees and executives was maintained in order to permit the institution to continue to meet the savings and borrowing needs of its customers and the communities which it serves.

If the Proposed Rulemaking is not adopted, the continuation of the current rule will unduly restrict the voting rights of a mutual holding company in its majority owned subsidiary and will invite activist shareholders to exploit this limitation for their own goals and objectives in contravention of legislative intent. If the OTS fails to adopt the Proposed Rulemaking, it will promote activist shareholder interference, spawn potential litigation and create a level of legal uncertainty as to the voting rights of a mutual holding company which will ultimately lead to the demise of this charter form.

For the reasons briefly discussed above, we strongly support the Proposed Rulemaking on behalf of all Pennsylvania-based mutual holding companies and mutual institutions.

Sincerely,



Frank A. Pinto
President/CEO