



Administrative Services

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August 29, 2006

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

ATTENTION: NO. 2006-29

Re: Notice of Proposed Rule Making – Stock Benefit Plans in Mutual to Stock  
Conversions and Mutual Holding Company Structures (12 CFR Parts 563b and  
575)

Dear Sir or Madam:

I am writing as the President of Chesapeake Bank of Maryland to comment upon the above-referenced rules that apply to the various stock benefit plans implemented by a thrift institution that is in the Mutual Holding Company (MHC) form of organization (the "Proposed Regulations").

Chesapeake Bank of Maryland is a savings association in the mutual holding company form of organization with no public stockholders, approximately \$220,000,000 of assets, and six offices. Chesapeake Bank of Maryland was originally founded in 1913 and reorganized to the MHC form of organization with no minority public stockholders in 1998. Chesapeake Bank of Maryland is owned 100% by Banks of the Chesapeake MHC (the "Mutual Holding Company"), which is owned 100% by the depositor members.

Chesapeake Bank of Maryland has historically conducted traditional banking operations as a community bank accepting deposits from the local community and investing the deposits primarily in real estate loans. Chesapeake Bank of Maryland has historically operated from a sound financial position as a traditional community mutual thrift institution.

Initially, we note that the proposed rules in most cases simply clarify the rules and operations that have been in existence for Federal MHCs since the implementation of the MHC structure for Federal associations during the early 1990s. Chesapeake Bank of



Maryland, as a traditional mutual thrift institution, reorganized as a MHC reorganization in reliance upon these well-established rules.

We are concerned, however, with the proposed regulations, which indicate that a vote of a majority of the minority public stockholders is needed to approve stock benefit plans. We welcome the clarification that stock benefit plans implemented more than one year after the minority stock issuance need the approval of a majority of the outstanding shares, including those of the MHC, which is governed by the owner depositors. However, we question the ability of the OTS to ignore the ownership rights of the depositor owners during the first year after the minority stock issuance, by requiring approval of our benefit plans by the minority stockholders. This ignores the legal ownership rights of the depositors. It is critical that the OTS recognizes the ownership rights of the depositor members of a mutual organization. As such, we strongly support regulations that clarify the voting rights of the depositor members one year after a minority stock issuance are all that is needed to approve all proposals, including benefit plans.

We reviewed a copy of a comment letter to the OTS on these proposed regulations dated August 14, 2006 from a well-known stockholder activist who has eliminated many local financial institutions through hostile mergers. He is one of the reasons that our association and other institutions have remained in the mutual MHC form of organization instead of becoming a stock institution. It has historically been well established that depositors own mutual institutions; his comments have no legal basis and would deprive depositors of the ownership rights of mutual organizations. His comments are purely self-serving, and his proposed changes would severely undermine mutuality and depositor ownership.

In summary, Chesapeake Bank of Maryland supports the proposed rules, which basically clarify the existing rules governing Federal MHCs during approximately the past fifteen years. The Proposed Regulations, which clarify that the MHC and depositor members have the authority to approve all proposals, including benefit plans after the passage of one year, are in accordance with well established legal principles governing mutually chartered financial institutions and should be enacted.

Sincerely,



William J. Bocek, Jr.  
President