



Increasing the Value of Independent Financial Institutions Since 1974

December 16, 2011

Office of Senator Sherrod Brown
713 Hart Senate Office Building
Washington, DC 20510

Office of Senator Rob Portman
B40D Dirksen Senate Office Building
Washington, DC 20510

Dear Senators Brown & Portman,

The undersigned Ohio Community Banks urge you to support quick action on S. 1941, introduced by Senators Kay Bailey Hutchison (R-TX) and Mark Pryor (D-AR). S. 1941 is a revised version of S. 556 and differs from its predecessor only in that it does not require the SEC to conduct a cost-benefit analysis of the shareholder registration threshold. S. 1941 is specifically designed to help community banks in their efforts to raise much needed capital.

Similar legislation, H. R. 1965, introduced in the House by Representatives Jim Himes (D-CT) and Steve Womack (R-AR), passed the House on November 2, 2011 by a vote of 420 to 2. We fully expect that S. 1941 would pass the Senate by a similar margin and encourage you to seize this rare opportunity to enact legislation with broad bipartisan support.

Like S. 556, S. 1941 would raise the threshold of bank shareholders that triggers SEC registration from 500 to 2,000 and increase the deregistration threshold from 300 to 1,200. Raising the shareholder registration threshold would allow community banks to raise more capital without tripping the SEC registration requirement that brings with it very expensive regulatory compliance costs.

The 500 shareholder threshold has been law since 1964 when Section 12(g) was added to the Securities and Exchange Act of 1934 and has not been raised since that time. Community banks that register must comply with the same quarterly and annual reporting requirements, proxy solicitation, and insider trading requirements applicable to the very largest companies listed on an exchange. Registered companies are also subject to the Sarbanes-Oxley 404(a) requirement that management certify internal controls. An update to the threshold is warranted.

As bank regulators demand higher capital levels, community banks must be able to raise capital from more shareholders without SEC registration. Because community banks are subject to close regulatory scrutiny, the registration threshold can be raised without increasing investor risk. Raising the SEC deregistration threshold from 300 to 1200 will make it easier for registered community banks to deregister following a stock buyback or consolidation

of shareholders. A company that has registered should have a reasonable opportunity to deregister and reduce unproductive expenses.

The scope and intent of S. 1941 is clear – to help community banks raise capital to better serve their customers and communities and contribute to the economic recovery. We again urge swift action on this bipartisan bill.

Thank you for your consideration.

Sincerely,