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April 10, 2006

Ms. Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington DC 20549-9303

Dear Ms. Morris:

We are pleased to submit this letter in response to the request of the Securities and Exchange Commission (the "Commission") for comments regarding its proposed rulemaking on Executive Compensation and Related Party Disclosure, Release Nos. 33-8655; 34-53185 and IC-27218 (January 27, 2006).

We are highly supportive of the Commission's objective to revise the reporting of executive officer and director compensation and related matters to make such disclosures more complete, easier to understand and more meaningful to investors. We are concerned, however, about the impact of proposed Item 402(f)(2), which would require disclosure of the total compensation for up to three nonexecutive officer employees whose total compensation exceeds that of any of the named executive officers. We believe that this requirement, if enacted as proposed, is likely to result in significant competitive harm to companies that rely on commission based or performance based sales and production personnel, to the long and short term detriment of the shareholders that this disclosure is intended to enlighten, without providing a meaningful addition to the mix of information available to investors.

We represent numerous community banking organizations and their holding companies which are reporting companies under the Securities Exchange Act, or which may become reporting companies. Although our perspective on this matter is focused on companies in this industry, we expect that similar adverse impact will exist in other industries.

High Risk of Competitive Disadvantage.

The core of the business model and profitability of many community banking organizations is the ability to produce a consistent and increasing stream of commercial, real estate and/or mortgage loans in which to invest deposits and other borrowed funds. Many community banks, particularly those with large mortgage banking divisions, rely on loan officers who are largely, if not entirely, commission based, or whose salary and bonus are otherwise directly tied to the level of loans originated and closed, and fees, interest, expenses and charge-offs related to those loans. These lending officers have little or no management or supervisory responsibility, and have no policy making authority.

A loan officer who has a large network of business contacts, or who is otherwise an effective business developer, and who is capable of originating significant volumes of high quality loans is a highly profitable officer, and as such a highly sought after employee in competitive banking markets. Many of such officers have compensation arrangements that are directly commission based, or receive discretionary bonuses which are directly related to the profitability of their portfolio of loans. The most successful, and therefore the most valuable, of these loan officers can make more in total compensation than named executive officers (including the chief executive) with administrative, supervisory, management and/or policy making authority, but who are not direct revenue producers.

Even without disclosing the identity of these employees, competitors will frequently be able to identify the employees as a result of their familiarity with the market and the people against whom they regularly compete. (In many instances, even coworkers, shareholders and members of the community will be able to identify the employees.) Disclosure of the compensation of these highly compensated employees will only facilitate the ability of competitors to cherry pick the staff of reporting companies through the offer of more lucrative compensation packages. Even if a company is able to retain its valuable employees, it would likely experience significant compensation inflation in an effort to keep such employees. All filing companies with highly compensated performance or commission based lending or sales personnel would be at risk of competitive disadvantage, particularly to nonreporting companies in the same industry or market. This disadvantage is not a function of market capitalization of a company. Many companies with such employees, while they may be accelerated filers or large accelerated filers based on market capitalization, may have only a few handfuls of employees who would meet even the minimal job description required by proposal. As such we do not believe that relief provided only to smaller public companies would be appropriate.

We also note that placing the compensation and, in many cases, only thinly veiled identity, of these employees in the public record constitutes an unfair and unjustified invasion of their privacy without any basis to believe that they are anything but good, productive employees. Executive officers voluntarily assume the mantle that requires disclosure of their compensation. These highly compensated employees do not, and should not be subjected to this intrusion. In some cases, employees may quit their employment and join nonreporting companies in order to avoid such unwanted publicity, to the competitive and financial detriment of the reporting company.

Lack of Meaningful Disclosure.

In addition to putting reporting companies at the risk of loss of growth, profitability and market value by placing a price tag on employees who are highly compensated because they are highly productive, we do not believe that the proposed disclosure provides meaningful information for investors. We do not believe that a total compensation figure and a description of the employee's job position, without more, provides inadequate information for an investor to determine whether the corporation's assets are being properly used. What it does potentially provide, however, is a platform for kneejerk, ill-informed outrage over compensation levels.

Furthermore, the compensation of nonexecutive officers does not raise the conflict of interest issues which are present in discussions of executive officer compensation. By definition, the employees whose compensation would be disclosed under the proposed rule do not have policymaking authority, and do not have the ability to set their own compensation, or to set the compensation of those who set their compensation. As such, the potential for conflicts of interests or other abuses in the setting of nonexecutive officer compensation are not present. The compensation of these officers is set based upon the market demand for their services, at arms' length. Investors currently have available to them significant disclosure in the financial statements and notes thereto, and in the management's discussion and analysis, of aggregate information regarding salary and benefit expense, and regarding the cost efficiency of the company in producing net income. Adding to this information mix, for example, the fact that a "Senior Lender – Commercial Real Estate" or "Senior Vice President - Construction Lending" made $900,000 in total compensation, which was more than the Chief Financial Officer received, gives the investor no reasonable basis upon which to make a conclusion as to whether or not the company's funds were well spent. The total compensation number and position description are isolated bits of information without context. Additional disclosure which might enable an informed decision (i.e. information about the level of loans produced, profitability, etc. traceable to the employee's service) would only exacerbate the risk of competitive disadvantage. In the absence of any discernable evidence of abuse in setting compensation of these officers, and in light of the potential for competitive disadvantage, there does not appear to be any compelling public policy basis to require this disclosure.

Conclusion.

Investors have the right to expect that the companies in which they own interests do not pay high compensation for low returns. However, investors have adequate aggregate information available to them on which to make such a determination, and if necessary, to demand that the executive officers or directors account for their management of the company. The inclusion of the proposed Item 402(f)(2) disclosure would not materially assist investors in analyzing performance of their companies, and could place a company at significant competitive disadvantage and diminish a company's ability to produce the returns which the investor desires.

Accordingly, we strongly urge to he Commission to reconsider the merits proposed Item 402(f)(2), and to exclude it from the final rule.

We thank you for the opportunity to provide comments on the proposal. If you have any questions regarding our comments, please do not hesitate to contact the undersigned by phone at 301,.229.3400,extention 18, by fax at 301.229.2443, or by email at nmgruber@kblbanklaw.com.

Very truly yours,

Noel M. Gruber

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