

Omaha State Bank

MICHAEL L. DAHIR
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October 20, 2005

VIA FEDERAL EXPRESS AIR

Jennifer J. Johnson, Secretary
Board of Governors of the Federal
Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

Re: Docket No. R-1235—Comment concerning Capital Adequacy
Guidelines for Bank Holding Companies; Small Bank Holding
Company Policy Statement; Definition of Qualifying Small Bank
Holding Company

Dear Ms. Johnson:

DB Holding Company, Omaha, Nebraska, a registered bank holding company (“DB Holding Company”) would like to provide the following comments in support of the proposed rule in the above referenced matter.

DB Holding Company is the parent holding company of Omaha State Bank, Omaha, Nebraska, a state non-member bank. As of September 30, 2005, DB Holding Company had consolidated assets of \$220,000,000.

In 2004, there was a Change in Control of DB Holding Company transferring control from one local ownership group to another. Since DB Holding Company had consolidated assets of more than \$150,000,000, it did not qualify for the Board of Governors of the Federal Reserve System (“Board”) Small Bank Holding Company Policy Statement, (Regulation Y, Appendix C), (“Policy Statement”) and exemption from the Board’s Risk Based and Leverage Capital Adequacy Guidelines (Regulation Y, Appendices A and D) (“Capital Guidelines”).

At the time of the Change in Control, DB Holding Company’s subsidiary bank was “well capitalized” and had a lengthy track record of financial and managerial excellence. DB also met the qualitative criteria used in the Policy Statement and Capital Guidelines. Conservative financial projections demonstrated that with a debt-to-equity ratio of 3:1, all debt could have been retired within 25 years, its debt-to-equity ratio could have been reduced to .30:1 or less within 9 or 10 years of being incurred, all while insuring that its subsidiary bank was well capitalized. In short, the only thing that precluded DB from using the Policy Statement and using leverage to

facilitate the transfer of control from one local ownership group to another was the fact that DB Holding Company exceeded the \$150,000,000 size threshold.

Because of the low size threshold, the persons acquiring control of DB Holding Company were forced to restructure the transaction, incur acquisition debt *individually* (as opposed to in the holding company) and DB was required to make an election to become a subchapter S corporation under the Internal Revenue Code. This added complexity, expense, and delay to the Change in Control, and served absolutely no regulatory purpose. In the long run the stockholders of DB Holding Company would prefer to elect back to C corporation status at the earliest opportunity in order to eliminate this complexity from the organizational structure.

Accordingly, DB Holding urges adoption of the proposed rule raising the asset size threshold from \$150,000,000 to \$500,000,000. While the \$150,000,000 threshold may have been appropriate when it was adopted about 25 years ago, part of the difficulty lies in the fact that it has been a static number. DB also believes the threshold should be adjusted over time based on an appropriate mechanism or index so as to prevent a \$500,000,000 threshold from becoming obsolete and impeding the transfer of control of the small bank holding companies. Nevertheless, even without indexing, raising the threshold to \$500,000,000 would be a much needed step in the right direction.

Additionally, given the tax implications involved in electing S or C corporation status, we are hopeful that the proposed change becomes effective before 2005 calendar year end so that the corporate election change will be available immediately.

DB Holding Company very much appreciates the Board's attention to its past and current comments concerning the above referenced matter.

Sincerely,



Michael L. Dahir,

Chairman and CEO

cc: Dennis Denney,
Division of Bank Supervision and Structure Managing Examiner
Federal Reserve Bank of Kansas City