



Office of Thrift Supervision

Department of the Treasury

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Because of the volume of comments received on No. 2006-29, OTS is posting the comments received on this proposal in a different format to allow the agency to post comments more efficiently. Where identical comments have been received from more than one individual, the template letter will be posted with a link to an alphabetical list of those submitting that comment ("signatories"). Originals of all comments received may be reviewed at the agency under the procedures described in the notice of proposed rulemaking. This procedure affects only the posting to the website and does not affect how comments will be counted and considered -- each individual's comment will still be treated separately.

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September , 2006

VIA US MAIL AND E-MAIL (REGS.COMMENTS@OTS.TREAS.GOV)

Regulation Comments
Chief Counsels Office
Office of Thrift Supervision
1700 G. Street NW
Washington, D.C. 20552

Attn: No.2006-29

Re: **Comments on Notice of Proposed Rule Making: Stock Benefit Plans in Mutual-to-Stock Conversions and Mutual Holding Company Structures (OTS Docket No. 2006-29 and RIN 1550-ACO7)**

Dear Sir or Madam:

I am writing on behalf of _____, a mutual savings bank, in support of the Office of Thrift Supervision's ("OTS") proposed rulemaking regarding stock benefit plans established in mutual-to-stock conversions and mutual holding company reorganizations.

The mutual holding company structure has been a much-needed alternative for mutual savings institutions that are interested in raising capital on an incremental basis. Mutual holding companies also are ideal for institutions that want to preserve their independence as community banks. The size of stock benefit plans is specifically limited by OTS regulations and we are not aware of any mutual holding company that has abused the implementation of stock benefit plans. Indeed, the mutual holding company structure results in substantially fewer stock benefits to management compared to standard conversions.

The current OTS regulations regarding the implementation of stock-benefit plans are unnecessarily complex and confusing. The proposed rules would provide much needed clarification to the current regulations and would significantly reduce the expenses associated with the implementation of stock benefit plans.

We also believe that the extensive OTS restrictions on mutual holding company stock benefit plans under the current rules, including the need for a separate vote of minority stockholders, should not apply more than one year after a stock offering. There are several reasons for this. First, while we accept the need for some regulatory oversight of the implementation of stock benefit plans (an issue that would normally be left to management and stockholders) for a one year period to

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protect the integrity of the stock offering process, an ongoing requirement for a separate vote of minority stockholders effectively disenfranchises the largest stockholder - the mutual holding company. Such a vote is not only contrary to basic notions of corporate governance, but also contrary to the central tenet of the mutual holding company structure - mutual control. A separate minority vote also provides potential for abuse and undue influence by activist stockholders whose real intent is to encourage mutual institutions to undertake standard conversions and ultimately a sale of the community bank franchise. Second, we believe that eliminating the requirement for a separate vote of minority stockholders after one year would remove a regulatory bias in favor of full stock conversions.

There are numerous factors that protect minority stockholders against stock benefit plans abuse by mutual holding companies. For example, market forces will continue to limit stock plans to reasonable levels because of the expense of such plans. (In this regard, we note recent changes to accounting rules relative to the expensing of stock options.) In addition, the OTS will continue to have approval authority over the size of mutual holding company stock benefit plans.

We applaud the OTS for its recognition of the problems associated with activist depositors and stockholders. While the attacks of such activists typically have not been successful, they can be expensive and time consuming. By eliminating the separate minority vote requirement after one year, the OTS would eliminate an important point of activist leverage.

We believe strongly in the concept of mutual control. The OTS has done an outstanding job in refining a structure that allows mutually controlled institutions to access the capital markets and provide the stock benefits they need to compete in today's competitive markets. We urge the OTS to continue to improve the mutual holding company structure by adopting the regulations as proposed, including the elimination of the need for a separate minority stockholder vote to approve benefit plans adopted more than one year after a stock offering.

Accordingly, we respectfully urge the OTS to adopt the proposed rules in final form.

Sincerely,