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September 15, 2006

Via facsimile (202) 906-6518 and Federal Express
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 OTS Docket No. 2006-29

Dear Sir or Madam:

I am writing this second comment letter in response to assertions made in comment letters filed by certain mutual thrift associations and mutual holding companies (herein referred to collectively as "Mutuals").

First, it is clear from the comment letters submitted by some of the Mutuals that these institutions would now consider converting to a mutual holding company (MHC) if the proposed rule is approved because the directors and management could now guarantee themselves the receipt of lucrative incentive benefits. This unchecked ability of MHC directors to set their own compensation is the principal reason that the Office of Thrift Supervision (OTS), in 1995, changed its rules to require a vote of the majority of the minority shareholders of the subsidiary thrift. Not surprisingly, the need to raise capital was not mentioned in these comment letters because, as everyone knows, a vast majority of mutuals are now well-capitalized.

Second, it is beyond question that in developing the MHC, OTS created a unique corporate structure. In addition to creating a unique corporate structure, OTS now wants to grant the MHC directors an exemption from OTS' own conflicts of interest rule. (See §563.200)[1] Absent the

[1] § 563.200 Conflicts of interest. If you are a director, officer, or employee of a savings association, or have the power to direct its management or policies, or otherwise owe a fiduciary duty to a savings association: (a) You must not advance your own personal or business interests, or those of others with whom you have a personal or business relationship, at the expense of the savings association; and (b) You must, if you have an interest in a matter or transaction before the board of directors: (1) Disclose to the board all material nonprivileged information relevant to the board's decision on the matter or transaction, including: (i) The existence, nature and extent of your interests; and (ii) The facts known to you as to the matter or transaction under consideration; (2) Refrain from participating in the board's discussion of the matter or transaction; and (3) Recuse yourself from voting on the matter or transaction (if you are a director). [61 FR 60178, Nov. 27, 1996]

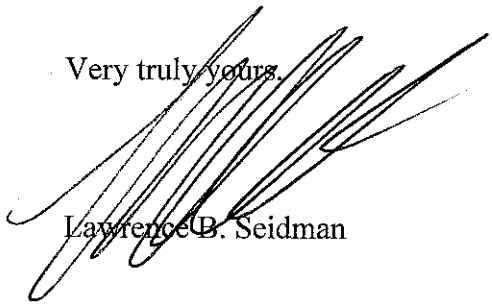
proposed rule, the directors would be required, like the directors of any public company, to recuse themselves from any matter in which the director has a personal interest.

Lastly, the Mutuals should stop touting the proposition that the depositors have any actual voting rights. At some Mutuals depositors do not have the legal right to elect the board of directors and at most of the other Mutuals, depositors receive little or no information that would allow them to intelligently exercise their voting rights for directors. Further, the procedure to be followed by a mutual member seeking to replace an existing director -the posting of a single notice on the wall of the corporate office- makes directorships in Mutuals lifetime offices without a meaningful mechanism for accountability. Depositor democracy is a well-documented illusion. Therefore, the proposed rule, if approved, would allow the Mutual boards to serve in perpetuity without accountability and to reward themselves at the expense of the depositors and shareholders.

If OTS approves this proposed rule OTS should explain and justify why the Mutual boards are being granted an exemption from the conflicts of interest rules while the directors of other public companies are held to a higher standard.

Based upon the above, the proposed rule should not be approved.

Very truly yours,



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