

September 8, 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 20522
Attention: 2006-29

Re: Comments on Rule Regarding *Stock Benefit Plans in Mutual-to-Stock Conversions and Mutual Holding Company Structures* OTS Docket 2006-29

Dear Sir or Madam:

Thank you for the opportunity to comment on the above referenced proposed rule. I believe the proposed change would be a step backward for the Office of Thrift Supervision as it would enable insiders of thrifts controlled by mutual holding companies ("MHC") to determine their own stock based compensation and dilute shareholders. I currently manage several funds, including two mutual funds with over ten thousand investors. I have a fiduciary responsibility to the funds' investors and believe the proposed rule change could significantly impact their rights as minority shareholders and transfer economic wealth from minority shareholders to MHC officers and directors.

The OTS's prior position recommends approval of a stock benefit plan by a majority of the non-MHC owned shares (i.e. disinterested shareholders of a thrift)¹. I strongly agree with this position. The very structure of an MHC² places the public shareholders in a collective minority position. A reversal of the OTS's position through the above referenced proposed rule would remove any power from the public minority shareholders, and would place the power to self deal with management of the thrift through voting control of the MHC, creating the proverbial "fox in

¹ See OTS letter P-2004-6 dated September 17, 2004;

² A parent mutual holding company is required to maintain ownership of more than 50% in the stock in any subsidiary holding company. See 12 C.F.R. § 575.7(a)(5) (2004)

the henhouse” scenario. It is our belief that such a reversal would be less than prudent and outright irresponsible.

Why the sudden change after 11 years? In a time of tightening standards relating to corporate governance and conflicts of interest, and in the wake of Enron, Worldcom, excessive executive compensation and options backdating, a reversal of the OTS’s previous position would defy sound judgment and common sense. The existing rule appears to have been put in place to protect minority shareholders. Now you want to hand over the keys to the kingdom to the MHC officers and directors as it relates to stock benefit plans; plans that directly benefit these same officers and directors at the expense of the minority shareholders.

Although I fully support incentive compensation plans for thrift insiders, I believe the interests of insiders should be aligned with the interests of ALL shareholders, and that the management teams of institutions should not receive the ability to reward themselves without limit and accountability, particularly when they are underperforming.

I urge you to uphold your commitment to appropriate supervision and ensuring soundness by safeguarding the existing rule that provides for appropriate checks and balances within the mutual holding company structure.

Sincerely,

Anton V. Schutz
Mendon Capital Advisors Corp.