

Franklin Financial Corporation MHC

INNSBROOK CORPORATE CENTER
4501 COX ROAD
GLEN ALLEN, VIRGINIA
DIRECT DIAL (804) 967-7018
FAX (804) 967-7050

POST OFFICE BOX 5310
GLEN ALLEN, VIRGINIA 23058-5310

RICHARD T. WHEELER, JR.
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

September 12, 2006

Regulation Comments
Chief Counsel's Office
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-AC07)

Dear Sir or Madam:

I am writing on behalf of Franklin Financial Corporation MHC, a mutual savings and loan holding company, 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 is a valuable corporate structure 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 financial institutions. The size of stock benefit plans is specifically limited by OTS regulations. 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 believe that the 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 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, which is 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.

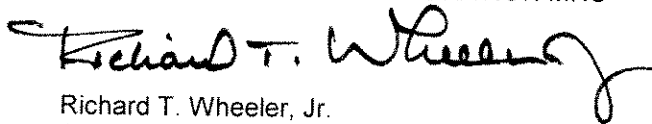
There are numerous factors that protect minority stockholders against stock benefit plan abuse by mutual holding companies. For example, market forces will continue to limit stock plans to reasonable levels because of the expense of such plans. (In this regard, we note recent changes to accounting rules 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 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,

FRANKLIN FINANCIAL CORPORATION MHC

A handwritten signature in black ink, appearing to read "Richard T. Wheeler, Jr.", with a stylized flourish at the end.

Richard T. Wheeler, Jr.
President and Chief Executive Officer