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October 28, 2011

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

RE: Comment on Proposed Ruling on Section 239.8(d) of Regulation MM

Via: E-mail and USPS

Dear Ms. Johnson:

Thank you for the opportunity to comment regarding the proposed rule regarding the waiver of dividends to Mutual Holding Companies ("MHCs"). I am Vice President/Chief Financial Officer of and a common stock shareholder in a mid-tier bank holding company that has an MHC as its majority shareholder. In summary, I believe that the Board's efforts are 1) contrary to the letter and spirit of the law, 2) intentionally biased against investors, 3) contrary to prudent business practices and 4) detrimental to a valid business model, which has been used in the recent past by many businesses to transition from a mutually-owned enterprise to a full stock enterprise.

Contrary to the Dodd-Frank Act – The regulation directly circumvents the intention of Congress (via the Dodd-Frank Act) to provide protection to those MHCs who had established a historical pattern of waiving dividends from its subsidiaries. The regulation appears to show extreme bias on the part of the Federal Reserve Board against thrifts after the abolition of the Office of Thrift Supervision ("OTS"). The outrageously burdensome requirements placed on MHCs make obtaining a waiver nearly impossible, despite the specific language permitting specific MHCs to enjoy "grandfathered" status by the Dodd-Frank Act.

Biased against investors –Stockholders invested in my company and bore the risk associated with our investment. While mutual members have rights, there is considerable debate about exactly what those rights are and are not. There is no evidence that members have been adversely affected by MHC dividend waivers, while under the OTS regulations. I believe that Reg MM unfairly and inappropriately elevates the interests of MHC members above the interests of common shareholders. The mutual members have placed no capital at risk and, therefore, should not be entitled to share in the benefits of such ownership.

Contrary to prudent business practices – The regulations require a vote which is impractical on the basis of cost, practicality of success, length of cycle and potential benefit to the party intended to be protected. The annual vote required by the regulations will be costly and time-consuming. The standard for approval is unrealistic in terms of voter participation, to say nothing of the education of members, which would be difficult with regard to this complex issue. The benefit to be obtained by the MHC member is marginal at best and would result in a tremendous amount of capital sitting idle at MHCs, because there is no use for it in the MHC business model. In this respect, Reg MM will idle essential capital rather than putting it to use to assist our flailing economy. Further, the prohibition of paying dividends to directors and/or employee stock ownership plans will destroy the alignment of mutual interests that the company shares with its directors and employees. Any company must balance the interests of three constituents: customers, shareholders and employees. The regulations cause a great imbalance to the efforts utilized by the company to balance these seemingly opposing forces.

The MHC business model will die – By imposing onerous requirements on MHC dividend waivers, I believe the regulations are killing a business model that has successfully served as a vehicle to usher a mutually-owned business to a full stock business without the pitfalls and risks associated with full conversions. The MHC business model was created as an alternative to a full conversion by a mutual thrift. One of the banks in our company went through a full conversion a number of years ago and suffered from too much capital. The company struggled to effectively deploy its excess capital into prudent, effective investments. The MHC model provides a way for a mutual to effectively raise an appropriate amount of capital, operate for a period of time under a majority ownership of the MHC, and consider when, and if, a second step is beneficial. Our MHC has been in existence nearly six years and has enjoyed success because of the first step.

Again, thank you for allowing me to comment on such an important issue. I sincerely hope that the Board will reconsider its position and remove the onerous requirements of Regulation MM with regard to MHC dividend waivers.

Sincerely,

R. Clay Hulette, CPA
Vice President and Chief Financial Officer
Kentucky First Federal Bancorp