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DISSEMINATION

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October 2, 2000

**VIA FACSIMILE - 202/906-7755**

Manager, Dissemination Branch  
Information Management and Services Division  
Office of Thrift Supervision  
1700 G Street, NW  
Washington, DC 20552  
Attn: Docket No. 2000-57

Re: OTS MHC Regulations

Dear Sir or Madam:

I am writing on behalf of Guaranty Bank, S.S.B. ("Guaranty"), a Wisconsin state savings bank that has operated with a mutual holding company ("MHC") structure since 1993. Although Guaranty is not directly regulated by the Office of Thrift Supervision ("OTS"), we are thrilled that the OTS has expressed their position on many important MHC issues in a manner that is highly supportive of the MHC structure. We are hopeful that other regulators will follow the OTS' lead.

Guaranty has been operating in the Milwaukee, Wisconsin area for over 75 years. Since forming our MHC in 1993, Guaranty has been able to grow from a nine-branch thrift to where we expect to have over 40 locations by the end of this year. Virtually all of our new branches are in convenient supermarket locations. Our asset size has similarly grown from around \$350 million to around \$1.2 billion since 1993. All of our recent growth has been internally generated. We credit our MHC structure for allowing us to have a long-term plan that we have been able to implement without fear of the possibility that a larger institution could buy us out or that impatient shareholders would not have the foresight to allow our business plans to develop.

The capital generated through Guaranty's "first step" offering was essential to facilitating our initial growth. Unfortunately, one of the limitations of the MHC structure is the inability to raise additional equity capital once an institution has sold 49.9 percent of the stock. A high growth company such as Guaranty, needs access to equity capital to facilitate growth. We have already taken full advantage of the additional regulatory capital that can be generated through REIT and/or trust preferred stock sales. Thus, under current rules, unless we can

generate additional capital through retained earnings, we have no way to increase Guaranty's capital base without having a "second step offering" (full conversion). A full conversion, however, would eliminate the MHC's control advantages and, we fear, would jeopardize our long range objectives. Since, as noted earlier, we believe the control provided by the MHC structure is what permits us to implement our business plans, a "second step" is something we presently want to avoid.

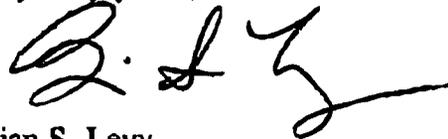
From all indications, the OTS has expressed a strong desire to think creatively about how to strengthen the MHC structure. In light of that, we would hope you are open to ideas on how to facilitate additional capital creation for MHC's that have already sold 49.9 percent of the voting stock.

One idea that might help MHC's in our situation would be to authorize the offering of nonvoting stock for sale that would have a claim to just the economic interest held by the remaining 50.1 percent of the shares. In this way, the MHC would retain majority voting and management control while still having at least some access to the untapped equity of the majority interest. Splitting out the economic value from the management and control rights associated with corporate stock ownership is not a new concept, but its application to the thrift industry generally and MHC's in particular would be novel.

We are extremely interested in identifying ways to generate additional regulatory capital to facilitate our continued growth without having to sacrifice the MHC structure to assure we can successfully implement our business plans.

Thank you for the opportunity to share our ideas on how to strengthen the MHC structure. We greatly appreciate the OTS' efforts to support the competitiveness and survival of community-based institutions, particularly MHC's. I am available to discuss this letter at any time.

Very truly yours,



Brian S. Levy  
Senior Vice President and General Counsel\*

\* Admitted only in Illinois

ddn

cc: Diane Casey - ACB