

Cattail Bancshares, Inc.  
P.O. Box 755  
212 Atlantic Ave., W.  
Atwater, MN 56209  
Sept. 29, 2006

Mr. Robert Feldman, Executive Secretary  
Attention: Comments  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, N.W.  
Washington, D.C. 20429  
Comments@FDIC.gov

Dear Mr. Feldman:

Regarding FDIC's considering approval of deposit insurance for commercial owned Industrial Loan Companies I would like to comment on one question only, namely, Do ILCs have a competitive advantage over other insured depository institutions? The answer is a resounding "Yes"!

As regulators are well aware, commercial banks are restricted in the activities they may offer. Generally speaking, those activities are closely related to banking. I was once interested in offering hard crusted bread thru one of our bank branches as a marketing device in an area that did not have access to good bread. I could not do so because it wasn't a permissible activity for commercial banks. Of course, I cannot offer clothing, electronics, hardware, pharmaceuticals, food or any other of a myriad of goods to my customers either. For commercial entities that own ILCs, this is not a problem – they already offer a wide variety of consumer goods and have only to set aside a portion of their store for the ILC. How fair is that?

It might be suggested that our bank could open a branch in a large commercial entity such as Wal-Mart. Recent Congressional testimony has shown how fragile such relationships with Wal-Mart are. Furthermore, it is not very likely that Wal-Mart would offer us the same terms as it would to its own affiliate. Might this be another way ILC's owned by a commercial entity have a competitive advantage?

Another potential advantage is preferential treatment afforded its suppliers who bank with them. It is fairly well known that Wal-Mart drives a very hard bargain. I have spoken with a food supplier of ducks who said he had no interest in selling to Wal-Mart because of the low price they offered him and because of the danger to his business such a contract would represent should Wal-Mart cancel the arrangement. What is to prevent Wal-Mart from introducing two different buy rates to other suppliers based on whether or not they do business with the affiliate? Another competitive advantage?

Wal-Mart is not just any retailer. It enjoys substantial market share. With that comes a kind of critical mass for market advantage. It is one reason why banks try to buy out their competitor banks. Wal-Mart and other commercial entities will be competing with commercial banks, not merely other ILCs. Given the regulations governing commercial banks from which ILCs are exempt – CRA springs immediately to mind – commercial entities will enjoy one more advantage. Pretty soon all these advantages add up to a very

substantial edge. Please deny approval for commercial entities to own ILCs. Thank you for your consideration.

Sincerely,

**Robert Meyerson,  
President**