



MADISON  
COUNTY  
BANK

Serving  
Northeast Nebraska  
Since 1888

September 6, 2006

Office of Thrift Supervision  
Chief Counsel's Office, Regulation Comments  
1700 G Street N.W.  
Washington D.C. 20552

ATTENTION: No. 2006-29

RE: Notice of Proposed Rule Making-Stock Benefit Plans in  
Mutual to Stock Conversions and Mutual Holding Company  
Structures (12 CFR Parts 563b and 575)

Dear Sir or Madam:

I am writing as President of Madison County Bank, Madison, Nebraska, to comment in support of the above - referenced rules that apply to the various Stock Benefit Plans Implemented by a Thrift Institution which is in the Mutual Holding Company (MHC) Form of organization (the ``Proposed Regulations``). Madison County Bank is a savings association in the Mutual Holding Company form of organization with no public stockholders, with approximately \$178,000,000.00 of assets and three offices. Madison County Bank was originally founded in 1888 and reorganized to the MHC form of organization with no Minority Public Stockholders in 2003. Madison County Financial Corporation (the ``Corporation``), the Stockholding Company which owns 100% of Madison County Bank, is owned 100% by Madison County MHC (the ``Mutual Holding Company``), which is owned 100% by the depositor members.

Madison County Bank has historically conducted traditional banking operations as a community bank accepting deposits from the local community and investing the deposits primarily in real estate loans. Madison County Bank has historically operated from a sound financial position as a traditional community mutual thrift institution. The MHC form of organization permits our Stockholding Company to conduct activities not permitted by the bank. In addition, our Stockholding Company can raise capital to grow assets and provide incentive awards to attract and retain management and key personnel.

Initially, we note that the Proposed Rules in most cases simply clarify the rules and operations that have been in existence for Federal MHCs since the implementation of the MHC structure for Federal Association's during the early 1990s. Madison County Bank, as a traditional mutual thrift institution, reorganized as an MHC Organization in reliance upon these well-established rules.

We are concerned, however, with the proposed regulations, which indicate that a vote of a majority of the

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Minority Public Stockholders is needed to approve Stock Benefit Plans. We welcome the clarification that Stock Benefit Plans implemented more than one year after the Minority Stock Issuance need the approval of a majority of the outstanding shares, including those of the MHC, which is governed by the owner depositors. However, we question the ability of the OTS to ignore the ownership rights of the depositor owners during the first year after the Minority Stock Issuance by requiring approval of our benefit plans by the Minority Stockholders. This ignores the legal ownership rights of the depositors. It is critical that the OTS recognize the ownership rights of the depositor members of a mutual organization. As such, we strongly support regulations which clarify that approval of a majority of the outstanding shares is what is needed to approve all proposals, including benefit plans, more than one year after a Minority Stock Issuance.

We received a copy of a comment letter to the OTS on these proposed regulations dated August 14, 2006 from Lawrence B. Seidman. Mr. Seidman is a well-known stockholder activist who has eliminated many local financial institutions through hostile activities. He is one of the reasons that our association and other institutions have remained in the Mutual MHC form of organization instead of becoming a stock institution. It has historically been well-established that depositors own Mutual Institutions; Mr. Seidman's comments have no legal basis and would deprive depositors of the ownership rights of the mutual organizations. His comments are purely self-serving, and his proposed changes would severely undermine mutuality and depositor ownership.

In summary, Madison County Bank supports the Proposed Rules, which basically clarify the existing rules governing Federal MHCs during approximately the past 15 years. The proposed regulations, which clarify that the MHC and depositor members have the authority to approve all proposals, including benefit plans after the passage of one year, are in accordance with well-established legal principals governing Mutually Chartered Financial Institutions and should be enacted.

Sincerely,

MADISON COUNTY BANK

By 

David J. Warnemunde