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July 9, 2004

VIA E-MAIL AND U.S. MAIL

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

Re: Notice of Proposed Rulemaking
Risk-Based Capital Standards: Trust Preferred Securities and the Definition of Capital
Docket No. R-1193

Dear Ms. Johnson:

Thank you for the opportunity to comment on the Board of Governors of the Federal Reserve System's ("Board") proposal to allow the continued inclusion of outstanding and prospective issuances of trust preferred securities in the tier 1 capital of bank holding companies ("BHCs"). Over the past years, we have represented numerous banking organizations with respect to trust preferred securities and have found them to be an important source of capital that can support growth, and absorb any losses, of an institution. Accordingly, we strongly support the proposal.

The Board notes that it believes some BHCs have over-relied on trust preferred securities and, accordingly, is proposing to reduce the amount of trust preferred securities that may be treated as tier 1 capital by excluding goodwill from the core capital elements that can be considered when calculating the 25% limit. By reducing the amount of trust preferred securities that can be treated as tier 1 capital, the proposed rule also reduces the amount of trust preferred securities that may be treated as tier 2 capital given that tier 2 capital elements cannot exceed 50% of a banking organization's tier 1 capital. Thus, it appears some banking organizations will have excess trust preferred securities that will not count as either tier 1 or tier 2 capital.

This result seems unduly harsh. While the Board may believe that some banking organizations have "over-relied" on trust preferred securities, banking organizations have acted in good faith

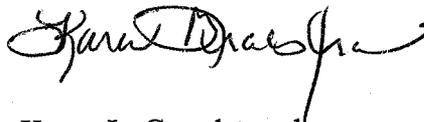
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and relied on these securities only to the extent permitted by the Federal Reserve. Banking organizations have pursued transactions and chosen to use trust preferred securities as part of their capital plans based on the review and approval of these proposals by the Federal Reserve. To now change the rules and require compliance with the new limitations within three years does not seem appropriate. Capital plans submitted to the Federal Reserve routinely involve a period of 12 years and trust preferred securities typically have a 30-year term.

Accordingly, we request that the Board consider expanding the three-year transition period to at least a five-year transition period to commence the calendar quarter following adoption of the Board's final rule.

Very truly yours,

A handwritten signature in black ink, appearing to read "Karen L. Grandstrand". The signature is fluid and cursive, with a long, sweeping tail that extends to the right.

Karen L. Grandstrand
Chair
Bank & Finance Group

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