July 9, 2004

**BY TELECOPIER**
Ms. Jennifer J. Johnson, Secretary
Board of Governors
Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

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

Dear Ms. Johnson:

We appreciate the opportunity to comment on the proposed amendments to the risk-based capital standards.

Our holding company has two classes of common stock. Under Fed guidelines that were in effect at the time we raised this capital, both classes of common stock qualified as tier 1 capital. The Fed's current guidelines also treat all of our common stock as tier 1. The Fed's proposal will put into limbo the treatment of the second class of common stock.

We are opposed to the Fed's proposal for a number of reasons. First, there is no grandfather provision for existing common stock that met the requirements at the time the stock was issued to investors. Second, there is no need for treating different classes of common stock differently for capital adequacy purposes. All of our common stock serves the primary purpose of tier 1 capital – the ability of the instrument to absorb losses of the bank or its holding company. Third, differentiating between different classes of common stock for capital adequacy purposes unnecessarily interferes with the judgments made by the Board of Directors of bank holding companies and their investors and shareholders on how the capital structure should fit the particular needs of the company and its investors.

Differences in voting rights between classes of capital stock have no bearing on whether the stock effectively serves the purpose of absorbing losses. Differences in voting rights do not change the character of the capital. They simply allocate, voluntarily among investors, voting power within the institution.

Differences in dividends also have no relation to the character of the capital instrument in terms of capital adequacy. Again, how dividends are allocated among shareholders and classes of stock is a matter for shareholders and their companies to decide. They do not affect the availability of the capital if and when it is needed.

Redemption rights and company incentives to redeem stock do have something to do with the capital remaining in the institution. However, whether there are redemption rights or not, every company has the right to offer to redeem shares of any capital instrument. Once the stock is redeemed, it is no longer available to absorb losses. But before that happens, the stock does serve to absorb losses, and the company normally would be required, under current rules, to notify the Federal Reserve Board of its intention to redeem stock in material amounts, and the Federal Reserve Board would have an opportunity to reject the redemption.

Our company was formed several years ago to provide a community banking alternative to the businesses and individuals working and living in the Cape Coral market. To attract a highly successful banking executive to make a sizable investment and to play an active role in overseeing the development of the company and bank, the organizing group determined that it was appropriate and necessary to create two classes of common stock so that the key person would possess the control that was required to attract him and that would enable him to effectuate the business plan successfully. All of the investors were fully apprised of the nature of the stock interests and the control that the individual banker would possess, and willingly made an investment decision based on that information. The bank has thrived, in large part to the authority and skills of the banker.

Had the company been unable to count the class of common stock with the lower vote as tier 1 capital, we do not believe that we would have been successful in opening the bank.

In sum, our decision to have two classes of common stock was a function of how we were to allocate influence and control among shareholders and the management leader. The result did not create a weaker capital structure; it simply allowed the bank to open based on the needs and expectations of the investors and management.

We believe that the Board of Governors has adequate rules and regulations and powers in place currently to assure that bank holding companies will maintain strong capital without the adoption of the proposal.

Sincerely,

Randall Graber
Chief Financial Officer