Aune CPA Firm

October 22, 2012

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

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, DC 20219

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation,
550 17th Street, N.W.
Washington, D.C. 20429

Re: Basel III Capital Proposals

Ladies and Gentlemen:

Thank you for this opportunity to provide comment on the Basel III proposals that were recently issued for public comment by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. I urge you to consider the negative impact that these proposals will have on small community banks as we recover from some of the worst economic conditions in recent history. Specifically, the following issues are of great concern to the local community bank on which I serve as a member of the Board of Directors.

<u>Access to Capital</u>
We do not have access to capital markets as a source of additional capital. Our capital is built by retaining earnings and profits, and takes years to build. Most of our shareholders are local business owners and individuals who already have made a substantial investment in our bank. We cannot expect them to invest additional capital, especially during bad economic times, or forgo reasonable returns on their current investment due to bad decisions made on Wall Street that have no connection to our local community. Furthermore, our bank does not make the type of speculative investments or lending that caused the recent economic problems.

In addition, if we are required to replace Trust Preferred Stock with common stock or equity, it will take many more years to accomplish this than what is being proposed.

Regulatory Burden
These proposals seem to place additional, costly burdens the smaller community banks that already are struggling to deal with the increased regulatory scrutiny and changing regulations that are not as relative to our business methods as the larger, worldwide banks employ. Additional costs to comply with these proposals will decrease our earnings and capital when we are already striving to increase our capital as much as possible.

Risk Weights
Our board and management do not feel it is prudent to make long-term, fixed rate loans. We normally set loan rates for no more than five years. Therefore, most of our real estate loans have a balloon payment due after a few years of amortizing payments. The proposed risk weights for these balloon mortgages will create difficulty in making loans in our local market for those customers who do not qualify for, or who choose not to incur the additional up-front costs associated with traditional long term mortgages.

Your consideration of these comments as you develop these proposals is very much appreciated.

Very truly yours,

E. Edwin Aune

E. Edwin Aune
Certified Public Accountant