



September 28, 2012

Cornerstone Bank  
529 Lincoln Avenue  
P.O. Box 69  
York, Nebraska 68467  
Phone: 402-363-7411  
Fax: 402-362-3249

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal  
Reserve System  
20<sup>th</sup> Street & Constitution Avenue, N.W.  
Washington, DC 20551

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

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

RE: Basel III Capital Proposals

Ladies and Gentlemen:

Thank you for the opportunity to provide comment on the Basel III proposals that were recently approved by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (collectively the "banking agencies").

I am Senior Vice President/Cashier & Facilities Manager of a \$1.1 billion bank located in central Nebraska. We have 32 facilities in 23 communities. We employ over 400 people in our organization. Our success has been buying small banks in very small communities and merging them into our bank. In doing so we have kept a bank in these communities that otherwise would maybe not be able to support a small bank. We are in communities from 100 population to 50,000 population. We also provide good jobs for our employees in these communities.

If Basel III is implemented, it will definitely affect our ability to continue to purchase these small banks because our capital will be eroded because of two things:

- (1) The passing through of the profit or loss in our AFS Bond Portfolio. We very seldom sell a security and have them in AFS for liquidity purposes. If we keep them until they mature or are called, there is no profit or loss. This is what happens in 98% of our security transactions. Our portfolio consists of Federal Home Loan Bank Bonds and Nebraska Municipal Bonds. Our portfolio is very vanilla and has very little potential for loss.
- (2) We utilize Master Notes for our borrowers. Especially our Ag borrowers want to set up a line of credit in the spring of each year just in case they need it. Many have not needed it over the last couple of years but want it anyway. If we needed capital to cover these unfunded loan commitments, it would severely affect our capital to make loans, as at the present time we have \$281,000,000.00 of unfunded commitment.

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These two items would make it very difficult to continue to take care of our customers as we have in the past. We are a small community bank that has grown up. We still want to take care of our customers and our communities the way we have so both can grow and prosper.

We hope you will take a hard look at Basel III and not implement it, so that we can continue to take care of our communities and customers.

Sincerely,



Dale L. Adams  
Senior Vice President  
Cashier/Facilities Manager