



October 11, 2012

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

Re: Basel III Impacts on Community Banks

Dear Ms. Johnson:

I write you today to express our deep concern about the impacts the proposed "Basel III" regulations, as written today, will have on community banks in our region, and also the nation at large.

Until just recently, many understood that the new capital requirements in "Basel III" would only apply to larger institutions in an effort to prevent future economic trauma like we experienced in 2008, the effects of which we continue to feel today. When the proposed regulations were announced, we were troubled to see our community banks, the lifeblood of our small business community, included.

As the economic development entity for Snohomish County, Washington State's third largest county, we believe "Basel III", as written, will have a stifling effect on our local economy - significantly limiting the capital available to small businesses, local developers, and even our local governments. Our community banks will be forced to raise capital that they will not be able to lend in the community. Even worse, capital they may not be able to raise at all.

Our economic analysis shows that "Basel III" will negatively impact over 200 businesses and potentially harm 6,000 to 10,000 employees annually in Snohomish County alone. Extrapolate this to every county across the country and you quickly understand the reason for our concern, especially in these already challenging times.

We encourage consideration of how the proposals in "Basel III" will impact community banks and local communities across the nation and strongly suggest modifications be made to the regulations as they are written today.

Thank you for your time and consideration.

Sincerely,

Troy McClelland
President & CEO