



**TOWN & COUNTRY  
BANK**

Jennifer J. Johnson, Secretary  
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Re: Basel III Capital Proposals

Thank you for the opportunity to comment on the Basel III proposals recently approved by the bank regulatory agencies.

The need for stronger bank capital was made glaringly obvious during the recent economic setback which impacted the US economy. Although I support the concept of stronger capital, especially for systemically important financial institutions, the current proposal presents far too many impediments for community banks like ours and will have a significant negative impact on the ability of small institutions to compete in the future.

As background, Town & Country Bank is a small community bank with \$160 million in assets and was chartered in 2002. Although 13 community banks operating in Las Vegas have failed over the past 5 years, we have continued to operate only because of strong financial support by bank ownership which is made up of three families. Basically we are a family owned business. We are the definition of community banking and our future is threatened by the current Basel III proposal. Please consider the following suggestions before moving forward with the current proposal:

**Regulatory Burden:** The proposal will require the collection, monitoring, and reporting of significant information not currently collected on our core processing system. Costs associated with revamping software and the training of employees will increase the already burdensome compliance costs for all community banks;

Unrealized Gains and Loss Reporting: Currently most banks have designated the majority of the investment portfolio as "Available for Sale" which I would think is supported by regulators. Why put banks in a position to designate the portfolio as "Held to Maturity" to avoid the volatility this proposal will have on future capital calculations. Banks will become less liquid, will buy shorter maturity securities (negatively impacting future earnings) and lose the ability to effectively management the investment portfolio;

Increased Risk Rating for HELOC's and Residential Real Estate Loans: Following the recent tightening of the mortgage lending industry this portion of the proposal is especially redundant and troubling and will have a significant negative impact on community banks and our customers;

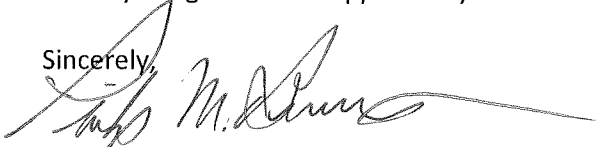
ALLL calculations: The logic of limiting the amount of the loan loss reserve used in capital calculation to 1.25% of total risk based assets has troubled me for some time as the unintended consequence is to create a disincentive for banks to fund a strong reserve. A change should be considered which would disallow the entire Fas 114 portion of the reserve ( funds reserved for specifically identified impaired loans) and have no limit on the Fas 5 portion of the ALLL used for capital calculations. This would result in stronger loss reserves in the future.

Increased Risk Rating for certain Commercial Real Estate Loans: This concept is burdensome to community banks and is unnecessary if loan loss reserves are calculated correctly under current regulation.

While the concept of stronger capital for all banks is one I support, I would respectfully request you fully consider the cumulative impact of the above points to community banks. Community banks should be exempted completely from the current Basel III proposals.

Thank you again for the opportunity to comment on this proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "Philip M. Burns", with a long horizontal flourish extending to the right.

Philip M. Burns  
CEO