

COMMUNITY STATE BANK

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October 31, 2012

COMMUNITY STATE BANK
ATLANTA REGIONAL OFFICE

Martin J. Gruenberg
Acting Chairman
Federal Deposit Insurance Corporation
10 Tenth Street, Suite 800
Atlanta, Georgia 30309-3906

Dear Chairman Gruenberg:

Community State Bank (the Bank) was established in 1957 and operates as a wholly-owned subsidiary of the Community State Bank Corporation (the Holding Company), a one-bank holding company based in Bradford County. The main office is located in Starke, Florida and expanded to Lake Butler in 2001. The Bank is currently the oldest community bank in Bradford and Union County, and many consider it the only "true" community bank in Bradford and Union County.

Since the Bank was chartered, its mission has been to serve the financial needs of the rural counties and surrounding areas in which we operate. This currently encompasses Bradford, Union, Alachua, Duval, Clay and Putnam counties. This continues to be our focus today. Being a responsible member of these communities, the Bank has taken the necessary actions to promote and advance these rural communities' financial needs while striving to achieve the Bank's internal objectives.

The events of the current economic slowdown and the demise of the financial industry, coupled with an increased foreclosure rate, unprecedented business failures, bank failures in the south and a stale Florida real estate market, have resulted in an increased unemployment rate and complete slowdown in Florida's number one industry — tourism. Over the past several years, many companies have relocated to less costly, northern locations due to the effects of the financial crisis in the southern states. As the industry continues to retrench its efforts, more emphasis will be placed on correcting the errors that significantly impacted the current condition of the market place.

Community State Bank has prepared this statement to voice our local concerns regarding the enforcement of Basel III, the proposed damaging calculations, and the impact it will have on the bank and local market economy. Community banks today are striving to build local economies, introduce new industry, and create a good stable job environment. Should Basel III be implemented in its entirety, the catastrophic changes will place most community banks in jeopardy of survival. The intent of Basel III was to enforce impact on inefficient large

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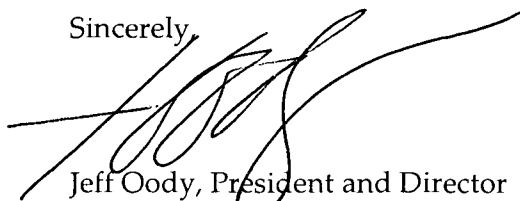
corporate financial institutions and not the day to day community bank, which serves the local farmer, logger, teacher, and small business.

Small business is the driving force of jobs within a community such as ours. Small business equates to over half of the local economy and promotes a "shop at home" mentality by extending its services to local vendors and avoiding such larger chains of service like Home Depot, Lowes, Publix and many others. Even today, you can go to the local butcher and place a request for your style of cut and this type of small business is what keeps our economy thriving. Without the community bank model, these types of independent sole proprietorships will be limited in their banking needs.

It is true that community banks must stay technologically abreast of the changing needs of their clients. The expense to become and remain internally prepared for the future is costly, but one in which strong community banks can incorporate into their daily practices. But, implementing the Basel III strategy will stifle any internal ability to remain an option in the rural market place.

In conclusion, Community State Bank requests that Basel III be scrapped and allow our Florida community banks, as well as those across the nation, to continue to rebuild from the past several years of turmoil and dismay. Should Basel III continue to be enforced, community banks such as ours will cease to exist as we have in the past years. Community State Bank has been anchored in the success of our communities in which we serve, let us continue to serve our communities.

Sincerely,



Jeff Oody, President and Director
Community State Bank

cc: Senator Marco Rubio
Senator Bill Nelson
Will S. Ellis, OFR
Gerald Hudgins, FDIC

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