



110 South Fairfax Avenue, Los Angeles, California 90036

November 8, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, D.C. 20551
Delivered via email regs.comments@federalreserve.gov

SENT VIA EMAIL ONLY

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N. W.
Washington, D.C. 20429
Delivered via email comments@FDIC.gov

Office of the Comptroller of the Currency
250 E Street, S. W.
Mail Stop 2-3
Washington, D.C. 20219
Delivered via email regs.comments@occ.treas.gov

Re: Basel III Capital Proposals

Dear 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").

Since 1955, Gilmore Bank has remained a secure, sound and reliable financial institution. We are still a family business, guided by entrepreneurial spirit and vision, and dedicated to a level of service that includes bankers who know your name. At \$175,000,000 in assets and two locations we are the typical community bank funding ourselves with customer's deposits and staying away from "wholesale funding". We strive to have relationships and not just transactions with our customers.

First, I would like to say that recognizing unrealized gains and losses on available for sale securities will have a substantial impact on our bank's capital accounts. Market fluctuations will cause great volatility of the bank's capital. If the bank has the capacity to hold these assets until maturity it should not have to mark the gains and losses creating large swings in capital over the normal business cycle changes in

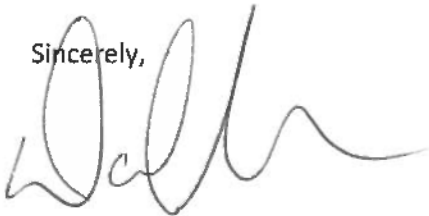
interest rates. Gilmore Bank will be forced to either hold these assets as held for sale or stay very short in duration. Either case will limit the bank's ability to manage the investment portfolio in a manner appropriate for liquidity, earnings, and interest rate risk.

Second, increasing risk weights on high volatility commercial real estate loans is a redundant means of raising capital requirements in community banks. The risks associated with this type of loans must be assessed in the ALLL analysis and any increased level of required reserves provides the capital buffer for the risks inherent in these loans.

Third, increasing risk weights on delinquent loans is yet another redundant means of raising capital requirements. Delinquent loans must be considered in the ALLL analysis. Community banks are already regulated highly in this regard and criticized severely if not adequately recognizing the need for capital to mitigate the risks in delinquency in the ALLL analysis. If a community bank is deficient in this area the regulators will at a minimum issue an order or possibly assess civil money penalties. The redundancy in the capital calculation is both unfair and unnecessary for community banks.

The tough banking regulatory environment and the Congress have been taking away income opportunities from community banks, by clamping down on traditional fee income opportunities and restricting lending, while demanding more and more capital at a time when banks are struggling with a poor economy and making below-normal profits. The inability to generate appropriate profits is making raising capital at most community banks difficult if not impossible. Now is not the time to increase capital requirements and the regulatory burden on community banks by imposing the requirements of Basel III on community banks – banks that did not cause the financial shock that resulted in the latest "Financial Crisis".

Sincerely,

A handwritten signature in black ink, appearing to read "D. Spencer", with a long, sweeping horizontal stroke extending to the right.

Douglas C. Spencer
President and CEO