LEGACY
STATE BANK

October 19, 2012

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20249

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.

Legacy State Bank is a small community bank located in Loganville, Georgia. We serve small businesses and individuals in our local community with deposit and loan services. We believe the Basel III proposals will diminish our ability to manage our balance sheet, liquidity, and capital levels to such an extent that it will curtail the amount and type of loans we can offer our customers.

Our main concerns are centered in the following proposals: Inclusion of Accumulated Other Comprehensive Income in the Calculation of Common Equity Tier 1 Capital; Revised Risk Ratings Residential Mortgage Exposures; Risk-Weighting of Past Due Exposures:

During the financial crises, our institution maintained relatively high levels of liquidity mainly in the securities portfolio. For various reasons, including lack of loan demand, the size of the securities portfolio remains a significant portion of the Bank's balance sheet. As of June 30, 2012 we estimate that a 300 basis point upward rate shock would cause a 17.62% increase in the unrealized loss in our securities portfolio. Under the proposed rules, applying such an unrealized loss to Common Equity Tier 1 Capital ("CET1") would significantly lower capital levels. We believe that introducing this type of volatility to CET1 would diminish our ability to manage our balance sheet, capital, liquidity, and provide loans to our customers. We believe the Financial Accounting Standards Board SFAS 115 and the other-than-temporary impairment accounting rules appropriately account for the capital impacts of the Bank's securities portfolio.

Our Bank provides mortgage loans for customers who cannot obtain a conventional mortgage. As of June 30, 2012 these types of loans were approximately 8% of our total loan portfolio. As a small Bank the increase in risk weights for these assets would have a significant impact on our total risk weighted assets and, therefore, a significant impact on our Total Risk Based Capital Ratios. We are concerned that

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managing capital ratios under the proposed rules would lead to a decrease in our ability to make these types of loans. Also, as a small bank we are concerned about the additional record-keeping burden the proposals will create.

We believe the increased risk weighting of past due exposures would in effect result in the double counting of risk in these assets. Again, we believe the current accounting rules appropriately account for the risk in these assets.

Furthermore, we believe the above proposals and others will dramatically increase the amount of capital our institution will be required to maintain. At a time when many community banks are attempting to rebuild their capital bases we believe these proposals are unnecessary and will be counterproductive.

Sincerely,

Daniel G. Rees CPA

SRVP/CFO