



October 19, 2012

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

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, DC 20219

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation,
550 17th Street, N.W.
Washington, D.C. 20429

Re: Basel III Capital Proposals

Ladies and Gentlemen:

Thank you for the opportunity to provide comment on the Basel III proposals that were recently issued for public comment by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

Grand Valley Bank is a true community bank, organized in 1983, with 7 – and soon to be 8 – branches in western Colorado and northern Utah. Our assets total about \$275 million. We employ over 90 people in those two states and take pride in being a good citizen of the communities we serve.

As a percentage of total assets, our bank has a larger investment portfolio than most. We think our lower loan-to-deposit ratio increases our strength and safety. However, the Basel III proposals would penalize us for our conservative structure. Let me explain.

We currently have an unrealized gain in our investment portfolio of almost \$5 million. Of course, this is not reflected in capital, nor should it be, because we do not intend to sell the portfolio. We will hold it to maturity.

Using the Basel III estimator provided by the FDIC we estimate that, if interest rates increase by 300 bps, our leverage ratio will fall from its current 9.5% to just a little over 6.0%. This is a

dramatic effect which does not reflect in any way the actual strength or performance of our bank. And rates could, as we all know, rise *more* than 300 bps.

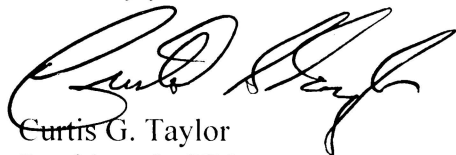
We assume we do not need to go into the harmful consequences that follow reduced capital levels.

Basel III is a solution in search of a problem, as applied to community banks like ours. Whatever might be a wise regulatory course for larger banks, please recognize the distinction between them and true community banks like ours.

Community banks matter little on Wall Street, but they are the heart of Main Street in communities across our great nation.

Thank you for considering my comments.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Curtis G. Taylor". The signature is fluid and cursive, with a large initial "C" and "T".

Curtis G. Taylor
President & CEO