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February 13, 2012

Jennifer J. Johnson
Secretary
Bd. of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

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

Via Internet: www.regulations.gov

Re: Restrictions on Proprietary Trading and Certain Interests in, and Relationships with, Hedge Funds and Private Equity Funds

Dear Ladies and Gentlemen:

Thank you for the opportunity to submit comments in response to your Agencies' Joint Notice of Proposed Rulemaking on the implementation of the "Volcker Rule," which was passed as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). We offer these thoughts in response to Question 310, which concerns the appropriate treatment of venture capital funds.

Although portions of the Volcker Rule address legitimate problems, it is critical that the regulators implement it consistently with its language and its purpose. Specifically, we urge you either to conclude that "private equity funds" do not include venture capital funds, or to conclude that banks may sponsor and invest in venture capital funds as a "permitted activity" under the Act.

If the regulatory bodies were to apply the provisions restricting investments in private equity funds so broadly as to include venture capital funds, they could severely damage one of the most vibrant sectors of our economy. Venture capital funds create jobs, foster innovation, and help our nation compete with the rest of the world. They do this by making long-term investments in growing businesses, without the use of substantial leverage. They do not engage in short-term "trading." They do not pose systemic risk to our financial system; to the contrary they promote financial stability by acting as a counter-cyclical investment force, by aggregating capital for long term, fundamental investing, and by promoting economic and job growth. They also have a risk profile that does not pose a threat to the safety and soundness of our banking institutions or to the financial sector.

We urge you to consider these fundamental distinctions as you write your final rules, and to preserve the ability of bank affiliates to provide capital to high growth technology companies by investing in and sponsoring venture funds.

Flybridge Capital Partners works extensively in the technology and innovation industries funding entrepreneurs and companies at the earliest stages of their development. Our initial investment into a company ranges anywhere from sub $1 million to $5 million. We have seen how, with the right backing, an entrepreneur can take an idea and turn it into a company, creating thousands of jobs and helping build the future of America. Over the past 10 years we have provided 64 companies with over $380 million in funding, most of which are still active companies that we continue to fund through their growth. These companies employ thousands of people and are creating innovative technologies and products that will change and improve people's lives around the world.

We also have seen innovation and venture investing become increasingly global over the last decade. While the United States historically has led this sector, today the flow of early stage capital in the United States has been shrinking. There are real opportunities in countries like China, India, Israel, and Brazil, and those governments are actively working to attract capital and people to create companies within their borders.

It would be perverse if, in the face of this competition for the future of the innovation ecosystem, the United States actually tied its hands behind its back by eliminating the approximately seven percent of all venture capital provided by banks (according to the research firm Prequin).

Startup companies need adequate "smart" capital, and our country needs those companies – to build our economy, to discover new ways to treat diseases and illnesses in an aging population, to create new ways of sharing and using information, and to develop new, clean energy solutions. Venture capital funds are not private equity funds, and they should not be regulated as such.

Thank you for your consideration.

Sincerely,

David Aronoff, General Partner, Flybridge Capital Partners
Jeff Bussgang, General Partner, Flybridge Capital Partners
Michael Greeley, General Partner, Flybridge Capital Partners
Chip Hazard, General Partner, Flybridge Capital Partners
Jon Karlen, General Partner, Flybridge Capital Partners