



**P H Y S I C**  
VENTURES

*investing in keeping people healthy*

October 5, 2011

Christopher Paridon, Esq.  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue NW  
Washington, D.C. 20551

Dear Chris,

I am writing on behalf of Physic Ventures, LP, a San Francisco-based venture capital firm that invests in early-stage US-based health and sustainability companies. We have a successful track record building businesses that innovatively address some of the United States' most pressing problems including diabetes and obesity, surging health care costs, energy efficiency, carbon reduction, and the increasing prevalence of toxic materials in consumer products. Our efforts have created positive societal impact and hundreds of new jobs during the past few years. (For more detail, please see [www.physicventures.com](http://www.physicventures.com)).

We are now thick in the process of raising our second investment fund and find ourselves with a considerable and unexpected set back linked to the Volcker rule.

Last month we received investment committee approval from an international bank for a \$25M commitment to Physic Ventures Fund II. The following week, we were told the bank's counsel would not permit completion of the investment due to provisions in the Volcker rule. This commitment represents a significant portion of our next fund, and losing it will inhibit our ability to reach the scale, momentum and impact required to continue our important work. Needless to say, we have spent many years building this relationship and have found many synergies with this partner in our shared intentions to improving the nation's food system and promoting technologies that advance a much needed sustainability agenda.

It is accurate to say that the investing we do is clearly in our Nation's interest. Physic Ventures brings a unique approach to venture capital by working closely with strategic limited partners to accelerate scale and impact in our portfolio companies. Having this particular institutional bank as a partner would add significantly to our ability to innovate in the food, agriculture and sustainability sectors in the US.

We would like to add our voice to those who call for clear distinction and fair treatment for venture capital funds under the Volcker rule. We fear that grouping hedge fund traders in the same classification with business building venture investors is serving an inadvertent and crippling blow to the United States' venture capital industry and inhibiting access to vital innovation capital. We urge you and your colleagues to provide clarity in the rules to permit investments in venture capital funds that clearly serve US interests by creating new jobs and furthering solutions to our most pressing societal problems.

Sincerely yours,

William B. Rosenzweig  
Managing Director

