

December 9, 2009

The Honorable Nancy Pelosi  
U.S. House of Representatives  
235 Cannon House Office Building  
Washington, DC 20515-0528

Dear Speaker Pelosi:

On behalf of the California Healthcare Institute (CHI), whose more than 270 members include our state's premier life sciences companies and academic research institutions, I am writing to voice strong support for a provision included in H.R. 4173, the *Wall Street Reform and Consumer Protection Act of 2009*, to provide a permanent exemption from Section 404(b) of the Sarbanes-Oxley Act for smaller reporting companies (those with less than \$75 million in public float). CHI understands that Congressman Paul Kanjorski (D-PA) may offer an amendment to remove this provision and we urge you to vote **NO** on such an amendment.

The exemption from Section 404(b) of Sarbanes-Oxley for smaller reporting companies would provide crucial relief for smaller life sciences companies that have been adversely affected by the economic downturn. California is the leader in biomedical research and development, with thriving clusters in and around San Francisco, Orange County, Los Angeles and San Diego. The life sciences industry provides over 271,000 jobs to the California economy with an average wage of \$75,000 per year. Our direct contribution to the state's economy is estimated to be nearly \$75 billion.

At the heart of California's biomedical industry are small companies that drive cutting edge research and innovation. These companies have made groundbreaking progress in the treatment of myriad life threatening conditions, such as cancer, cardiovascular disease, diabetes, HIV/AIDS, Alzheimer's, Parkinson's Disease, and others. Over the past two years, however, these innovative firms have faced difficulty in attracting venture capital and an unprecedented credit crunch. Promising biomedical research and development has been threatened due to this lack of access to capital. In 2008, for example, total capital raised by the biotechnology industry fell a staggering 55 percent compared to 2007.

Without the exemption provided in H.R. 4173, the smallest life sciences companies will continue to face staggering audit and compliance costs, diverting revenue that could otherwise be reinvested in life-saving research and development. Approximately 41 percent of active publicly traded biotech companies fall under \$75 million in market capitalization. This provision will ensure that they can continue to focus their resources and energies on developing the next generation of therapies and technologies to combat the most pernicious diseases facing society.

At a time when California is in fiscal crisis and our companies face unprecedented challenges to simply keep their doors open, we hope that you will support the provision in H.R. 4173 that would provide an exemption for the smallest publicly traded companies from Section 404(b) of the Sarbanes-Oxley Act, and reject the Kanjorski amendment to remove this provision.

Thank you for your consideration of our views.

Sincerely,

A handwritten signature in black ink that reads "Todd E. Gillenwater". The signature is written in a cursive, flowing style.

Todd E. Gillenwater  
Vice-President, Public Policy