

CHAIRMAN
HENRY L. NORDHOFF
Gen-Probe Incorporated

May 9, 2007

DAVID W. BEIER
Amgen
G. STEVEN BURRILL
Burrill & Company
MICHAEL V. DRAKE, M.D.
UC, Irvine
JOHN M. DUNN
Biogen Idec
PETER C. FARRELL, Ph.D.
ResMed

Assemblywoman Sally Lieber
State Capitol, Room 3013
Sacramento, CA 95814

RE: Assembly Bill 1370
CHI Position: Support

DAVID D. FLEMING
Genzyme Corporation
GINGER L. GRAHAM
Amylin Pharmaceuticals
LAWRENCE P. GUIHEEN
Baxter BioScience
ROBERT B. HANCE
Abbott Diabetes Care
DAVID F. HALE
SkinMedica
WYATT R. HUME DDS, Ph.D.
University of California

Dear Assemblywoman Lieber:

On behalf of the California Healthcare Institute, whose more than 250 members include our state's premier life sciences companies and academic research institutions, I am writing to support AB 1370 – legislation that would, for taxable years beginning on and after Jan. 1, 2008, allow net operating losses (NOL's) to be carried forward for the 20-year period following the year in which the NOL was deducted.

PETER BARTON HUTT
Covington & Burling
STEPHEN G. JUELSSGAARD
Genentech
TRACY T. LEFTEROFF
PricewaterhouseCoopers
TED W. LOVE, M.D.
Nivelo
ALEXIS V. LUKIANOV
NuVasive

California is the worldwide headquarters for biomedical research and development. More than 2,600 biomedical companies are devoted to solving major unmet medical needs such as cardiovascular and respiratory disease, cancer, diabetes, AIDS/HIV and other infectious diseases. In order to remain competitive in the U.S. and globally, California must implement tax policies that encourage businesses to operate and grow in the state.

JOHN C. MARTIN, Ph.D.
Gilead Sciences
DANA G. MEAD JR.
Kleiner Perkins Caufield & Byers
PETER G. MILNER, M.D.
ARYx Therapeutics
RICHARD A. MURPHY, Ph.D.
The Salk Institute
MICHAEL A. MUSSALLEM
Edwards Lifesciences
GAIL K. NAUGHTON, Ph.D.
California State University

In its present form, California's net operating loss policy does not meet the unique needs of the life sciences industry. The long research and development timelines and rigorous FDA approval process typically cause companies to incur losses for 15 years before a product reaches the market and generates profits. California's current 10-year carry forward standard does not recognize this reality and should be increased to 20 years, in conformity with several other states and the federal government. Furthermore, NOL reform should allow these companies to transfer and sell their losses, providing them the ability to generate needed capital up front to continue their development of life saving therapies.

CHRISTIAN W. NOLET
Ernst & Young
CHRISTOPHER J. O'CONNELL
Medtronic Diabetes
RICHARD P. PATRYLAK
Merck & Company
PHILIP A. PIZZO, M.D.
Stanford University
DAVID W. POWELL
Advanced Sterilization Products
DAVID E.I. PYOTT
Allergan

CHI is committed to enacting responsible accounting practices in California that will allow innovative companies to continue to pursue new treatments, therapies and cures. We look forward to further dialogue with you on this important topic.

WILLIAM E. RHODES
BD Biosciences
FREDERICK W. TELLING, Ph.D.
Pfizer

Sincerely,



David Gollaher, Ph.D.
President and CEO

PRESIDENT AND CEO
DAVID L. GOLLAHER, Ph.D.

CC: Chair and Members, Assembly Rev and Tax Committee
Committee Consultant, Assembly Rev & Tax Committee
Assembly Republican Caucus

WWW.CHI.ORG

HEADQUARTERS
1020 Prospect Street, Suite 310
La Jolla, California 92037
858.551.6677 ■ Fax 858.551.6688

SACRAMENTO
1215 K Street, Suite 970
Sacramento, California 95814
916.233.3497 ■ Fax 916.233.3498