

SCIENCE OR COMPLIANCE:

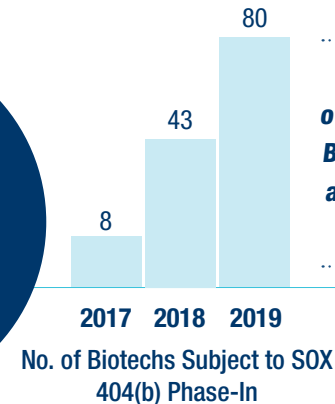
EFFECTS OF SARBANES-OXLEY 404(B) ON BIOTECH INNOVATION, CAPITAL FORMATION AND INVESTOR PROTECTION

**JOBS Act
Enacted,
April 2012**

90%
of IPOs since the JOBS
Act were emerging
growth companies (EGCs)

300
biotechnology-EGCs
(Bio-EGCs) raised
\$25 billion
in IPOs since the
JOBS Act

Bio-EGCs
increase employment
by an average of
178%
during the five
years after IPO



“[. . .] The planned phase-in of Section 404(b) compliance for Bio-EGCs will impede innovation and capital formation with little benefit to investors.”

“Put simply, academic studies show that the costs of Section 404(b) are high and the benefits are low” for biotechnology EGCs.

EFFECTS OF SECTION 404(b)

\$807K **Disproportionate cost**
for smaller issuers



Reduces corporate innovation
(decline in patents)



Significantly reduces
market capitalizations

DO BENEFITS OF 404(b) STACK UP?



Bio-EGCs are **less likely** to have ineffective internal controls on financial reporting or restate financials than other issuers.



404(b) disclosures **do not** yield significant stock market responses, meaning investors do not change their long-term views on the companies.



Investors do not see benefits. Low market demand for voluntary 404(b) compliance (compared to high demand for voluntary compliance for beneficial regulatory requirements).

“Collectively, our evidence demonstrates that an extended exemption from Section 404(b) for Bio-EGCs would achieve the SEC’s mission of balancing investor protection and capital formation.”