

April 3, 2006

SECURITIES AND EXCHANGE COMMISSION  
Washington, DC

RE: File No. 265-23

Dear Sirs/Madames:

We strongly support the recommendations set out in the Exposure Draft of Final Report published for comment on March 3, 2006, by the Advisory Committee on Smaller Public Companies.

By way of background, Vasogen Inc. is a development-stage "smallcap" company with no revenues from product sales. Our goal is to develop medical products to treat diseases for which there are well-documented unmet medical needs.

We are currently conducting and financing a large-scale phase III clinical trial of our lead technology Celacade™, in patients with advanced chronic heart failure, which is now often referred to as an epidemic. The conduct of this 2,400-patient, seven-country trial is being overseen by a 14 member independent steering committee comprising thought leaders in cardiovascular disease. The goal of this trial is to demonstrate the ability of Celacade to reduce the risk of death and hospitalizations in patients with heart failure, a condition that in the United States alone is associated with the deaths of over 300,000 individuals each year and is the number one cause of hospitalization for people over the age 65. Chronic heart failure is also estimated to cost the U.S. healthcare system in excess of \$25 billion annually. Upon successful completion of this phase III trial, which is expected this year, we plan on seeking FDA and other regulatory approvals to market this product. We are also developing a drug that we believe has the potential to impact the deleterious effects of neurodegenerative diseases, such as Alzheimer's disease.

Over the past five years, we have raised approximately \$250 million from the issuance of debt and equity securities. As a development-stage company, the funds raised in the capital markets represent the most important source of cash necessary for the advancement of our products through a very complex regulatory process. Our shares are quoted for trading on the NASDAQ National Market under the symbol "VSGN" and are also listed on the Toronto Stock Exchange under the symbol "VAS". Our current market capitalization is approximately \$185 million.

As indicated, Vasogen Inc. has generated no revenue in its past twenty years of progress toward developing therapeutic treatment to alleviate the suffering from inflammatory diseases. It is extremely difficult to overstate one's revenue if there is none to begin with. While we acknowledge there are relatively few companies in our situation, apart from other biotechnology companies, there are many other smaller public companies like ours, with modest market capitalizations, that need to raise equity capital to finance our research and development. Notwithstanding the lack of revenue until now, we plan to

become a large and successful company some day and we have staffed our Accounting Department with that prospect in mind. Accordingly we have on staff: three Chartered Accountants, one Certified Management Accountant and a total accounting staff of nine people. As a company, our strategy is to be in a position to have all appropriate internal controls in place, including segregation of duties, long before we have revenue to record. To that end, an Internal Audit and Control Department was created in September of 2004 which is managed by a Certified Internal Auditor.

No responsible executive of a public company would ever object to the implementation of a code of conduct applicable to all directors, officers and employees. Similarly it would be irresponsible of a public company's executives to secure financial resources from the public and not put in place and maintain an appropriate and effective system of internal control over financial reporting and the financial transactions and processes of the company. Vasogen Inc.'s internal audit and control activity assists the organization in establishing and maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. Based on the results of industry risk assessments, Company level/"entity" controls or "Tone at the top" is the area of focus since the vast majority of material frauds that have been published are of senior officers of companies— typically the CEO and the CFO.

Our major concern with SOX Section 404 as it currently stands – a concern which we believe would be shared by other development stage biotechnology and pharmaceutical companies – has to do with both the financial cost and human resources necessary for compliance. The arduous and expensive task of moving new drugs and biologics through the regulatory 'maze' is well recognized. We believe that compliance with Section 404 would unnecessarily add to both the difficulty and expense of developing much needed innovative therapies. This in turn, may negatively impact the company's ability to raise capital in the public markets, which could result in a reduction in the number of potential new therapies entering the development stage. This could ultimately reduce the number of products available to patients in need – products that could also ultimately reduce the financial burden on the healthcare system in general.

The Canadian Securities Administrators have recently announced plans to eliminate the requirement to obtain auditor attestation of all public companies' internal controls, regardless of size. The Chair of the Ontario Securities Commission has said that "...regulators have to be responsive to imposing excessive and unproductive costs on businesses." The evidence has been overwhelming that the new regulations under the Sarbanes-Oxley Act have been ineffective, impose significant costs and provide few benefits.

We believe that the SOX legislation can be effective and that it plays an important role in protecting the interests of the investing public. However, we feel that the task of SOX Section 404 compliance should recognize the unique role and needs of smaller public companies which already operate with an objective of ongoing governance, control, and risk management.

We strongly encourage the Securities and Exchange Commission to implement the recommendations of the SEC Advisory Committee on Smaller Public Companies and, in particular, Recommendation III.P.2, to provide exemptive relief from external auditor involvement in the Section 404 process to smallcap companies, subject to their compliance with appropriate corporate governance standards.

Yours truly,



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Vice-President, Finance & Chief Financial Officer



Frances Stafford, CMA  
Manager, Internal Audit & Control