

bio.legal LLP

Optimize your Competitive Advantage

**AN ALTERNATIVE TO OUTSIDE LEGAL COUNSEL AND
FULL TIME IN-HOUSE COUNSEL**

by

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ABSTRACT

As the seventh largest biotechnology cluster, British Columbia is home to hundreds of biotechnology companies. These companies have specific legal needs that are not currently being served. This business plan contemplates the feasibility of bio.legal LLP, a new kind of legal services provider that would offer part time in-house legal counsel services to biotech/pharma companies located in British Columbia.

An analysis of the law firm industry and the current economic state in Canada suggests that bio.legal LLP will easily establish itself on the market, aided by fierce competition for patent, funding and talent amongst biotech/pharma companies that commands that they find innovative ways to improve their competitive advantage. bio.legal LLP will assist them in that mission by providing cost effective, flexible and specialized legal advice in line with their strategies.

This feasibility report also proves bio.legal LLP to be an extremely profitable venture.

Keywords: legal services, outsourcing, biotechnology

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1: OPPORTUNITY

As an in-house legal counsel in a biotech/pharma company in British Columbia with previous experience practising law in a traditional law firm, the author of this business report believes that the specific legal needs of biotech/pharma companies are not currently being met by existing legal services providers. When these companies require legal services, they currently have two choices: contracting out the work to law firms or hiring in-house legal counsels.

1.1 Traditional Law Firms

For the past 15 years, Canadian law firms have enjoyed continuous growth, despite somewhat of a slowdown following the tech bubble burst in 2000 and the 9/11 events in 2001 (Doucet, 2008). For younger lawyers, the booming economy was not the only factor of development; unique opportunities also arose from law firm mergers and expansions, increased mobility and an aging workforce (Doucet, 2008).

In British Columbia, close to 10,000 (3,257 female and 6,547 male) lawyers were actively practising law by the end of 2007 (Law Society of British Columbia, 2007). Twenty-four percent (24%) of those were practising corporate law, while four percent (4%) were involved in other areas such as intellectual property in one of the 3,205 law firms established in British Columbia (Law Society of British Columbia, 2007).

1.2 In-House Counsel

Similarly, economic growth of Canadian businesses and an increased focus on corporate governance following the Enron scandal have resulted in numerous in-house options (Doucet, 2008). The *In-House Counsel Barometer*, an online survey performed by Davies Ward Phillips & Vineberg LLP and the Canadian Corporate Counsel Association (“CCCA”) also reveals that significantly more in-house counsels have been hired as a cost saving measure since April 2007 (Davies Ward Phillips & Vineberg LLP, Canadian Corporate Counsel Association, 2008). The increase in the number of CCCA members is an unambiguous indication of the rise of in-house counsels in Canada. In 2005, the CCCA had 8,400 members (Davies Ward Phillips & Vineberg LLP, 2005) while it recorded more than 10,000 members in November 2008 (Canadian Corporate Counsel Association).

1.3 New Business Model: bio.legal LLP

Due to the limited number of options available and the cost associated with both options, biotech/pharma companies will often ignore their legal needs, especially for matters that do not appear to influence their bottom lines directly. A company would never do a licensing transaction or an initial public offering (IPO) by itself but it will compromise the legal value of hundreds of day-to-day contracts. As evidenced by the responses to bio.legal LLP’s survey (Appendix 1: Survey To Potential Clients, Appendix 2: Survey Answers), this is the case for most Biotech/Pharma Companies for which executives like Chief Executive Officers, Chief Financial Officers and/or VP’s Corporate Development take care of the day-to-day contracts. bio.legal LLP defines “day-to-day contracts” as contracts being executed in the ordinary course of business of a company

such as Confidentiality and Non-Disclosure Agreements, Clinical Trial Agreements, Research Agreements and Consulting Agreements.

It is put forward that the unmet legal needs of biotech/pharma companies constitute an attractive market. This new venture report considers the creation of bio.legal LLP, a partnership based on a new business model that would allow Biotech/Pharma Companies located in British Columbia, Canada, to access affordable legal services relating to their day-to-day operations. “Day-to-day operations” do not only include day-to-day contracts, but also human resources, immigration and insurance issues. bio.legal LLP intends to strengthen its clients’ competitive advantage by providing legal and business advice related to day-to-day operations at a fraction of the cost of typical legal services providers. bio.legal LLP will add value by:

- Improving tracking of obligations and financial commitments;
- Optimizing IP value with adequate protection;
- Customizing contracts to each situation;
- Maximizing cash flow through favourable contractual terms;
- Enhancing vendors’ incentive to complete projects in time;
- Facilitating access to foreign experts by taking care of immigration requirements; and
- Ensuring compliance with privacy, human rights and labour regulations.

Besides pricing (as further demonstrated in Section 7.5), bio.legal LLP’s competitive advantage lies on its lawyers’ extensive knowledge of the biotech/pharma

industry and of the needs of biotech/pharma companies regarding day-to-day operations, an expertise unparalleled by existing law firms. bio.legal LLP's lawyers will work directly at their clients' offices to optimize synergy and favour a collaborative relationship with all of their clients' employees. bio.legal LLP does not intend to replace outside law firms for high end/high margin work. Instead, bio.legal LLP offers services for which clients are not willing to pay the price charged by large traditional law firms.

1.4 Positioning and Mission Statements: Optimize your Competitive Advantage

bio.legal LLP's mission is to optimize its client's competitive advantage through affordable, efficient and specialized legal services. bio.legal LLP is driven by its clients and by the market's needs for safe and effective drugs, medical devices and diagnostic tools to supply innovative and outstanding services that will promote its clients' growth and success. bio.legal LLP's positioning statement has been defined in Table 1 below.

POSITIONING STATEMENT

For small to medium sized Biotech/Pharma Companies located in British Columbia.

Who require legal advice regarding their day-to-day operations but cannot justify hiring a full time in-house counsel or do not find value in paying fees to a traditional law firm for day-to-day legal advice.

bio.legal LLP is a substitute or supplement to outside legal counsel or full-time in-house counsel.

That optimizes its client's competitive advantage through cost effective, flexible and specialized part-time or temporary in-house counsel services in line with the client's strategy.

Unlike private law firms, bio.legal LLP makes it affordable to receive legal advice regarding day-to-day operations that will ultimately contribute to success and growth.

We have created a new business model to provide legal and business advice to maximize enterprise value.

Table 1. bio.legal LLP's Positioning Statement

2: LAW FIRM INDUSTRY ANALYSIS

Based on Michael Porter's Five Forces Analysis (Porter, 1980), the following analysis of the law firm industry provides insight to bio.legal LLP regarding the challenges faced by law firms in British Columbia, Canada, where bio.legal LLP will first enter the market. The most significant forces threatening law firms' profitability are rivalry, supplier power and buyer power. A less critical, but still noteworthy, force includes pressures originating from the arrival of new entrants into the industry. Threat of substitutes is slowly becoming more menacing for traditional law firms (Figure 1).

2.1 High Rivalry

Strong competition within the law firm industry involves many entities of different size and scope. Large established firms make it difficult for smaller local firms to gain significant market share, especially in the area of commercial law where the large established firms are mostly present. The robust growth of the legal industry witnessed over the past fifteen years had eased rivalry to a certain extent, but rivalry is expected to pick up again due to the instability of the current economy. Law firms practising within the same area offer similar products and differentiation across the industry is attained through expertise, reputation, location and to a smaller extent, price. Clients can easily move from one firm to another with insignificant switching costs.

2.2 High Supplier Power

Law firms have a few important suppliers: information and communication technologies, office supplies and landlords. All of these suppliers enjoy strong supplier power due to the significant cost to switch supplier and the unlikely possibility of vertical or backward integration. These suppliers also have many other customers within and outside the law firm industry.

2.3 Medium Buyer Power

One would think that with such a large number of players, clients would have the bargaining power to negotiate the terms of their relationships with their lawyers. This is true to some extent, but the even bigger pool of potential clients weakens their leverage, especially with regards to cost. Large brand name institutional clients that law firms fight for have a stronger bargaining power, with some of them imposing the rates they want to pay. The ability of the sought after institutional clients to change service provider with extremely low switching costs makes law firms work hard to retain their valuable accounts. Furthermore, these large clients can backward integrate by introducing in-house legal services, further increasing the law firms' pressure to retain their clients.

2.4 Medium Barriers to Entry

Brand recognition and the high level of regulatory requirements make the entrance of new players arduous, although not impossible. The low capital required to run a solo practice makes it easy for any lawyer to start his/her own practice. However, larger firms can allocate their large overhead costs over many lawyers, allowing for some sort of economies of scale.

2.5 Low but Increasing Threat of Substitutes

In-house corporate counsels have traditionally been the only substitute threatening traditional law firms in an industry known for its aversion to innovation and change. The increase of in-house counsels over the past years has weakened the law firms' supremacy.

Recently, a few firms have entered the market offering legal services under an innovative business model that further challenges traditional law firms. This business report on bio.legal LLP contemplates this new kind of model.

In the United States, the most talked about newcomer is Axiom, a law firm with 220 lawyers on staff and a group of smaller counterparts located across the country (Jones, 2008). Axiom offers experienced attorneys available to work on site at a fraction of traditional law firms' rates. Last year, Axiom brought in revenues of \$39 million and forecasts more than \$66 million this year (Jones, 2008). Comparatively, the 100 highest-grossing law firms in USA grew total gross revenue by 13.6 percent last year to \$64.5 billion (lawyrs, 2008). Despite Axiom's astonishing success, they are nowhere near replacing their more conventional competition, and they believe that their clients will continue to use traditional law firms for the vast majority of the legal work that they subcontract (Jones, 2008).

Finally, individual representation is always an alternative, but the complexity of most matters handled by law firms makes it an insignificant threat.

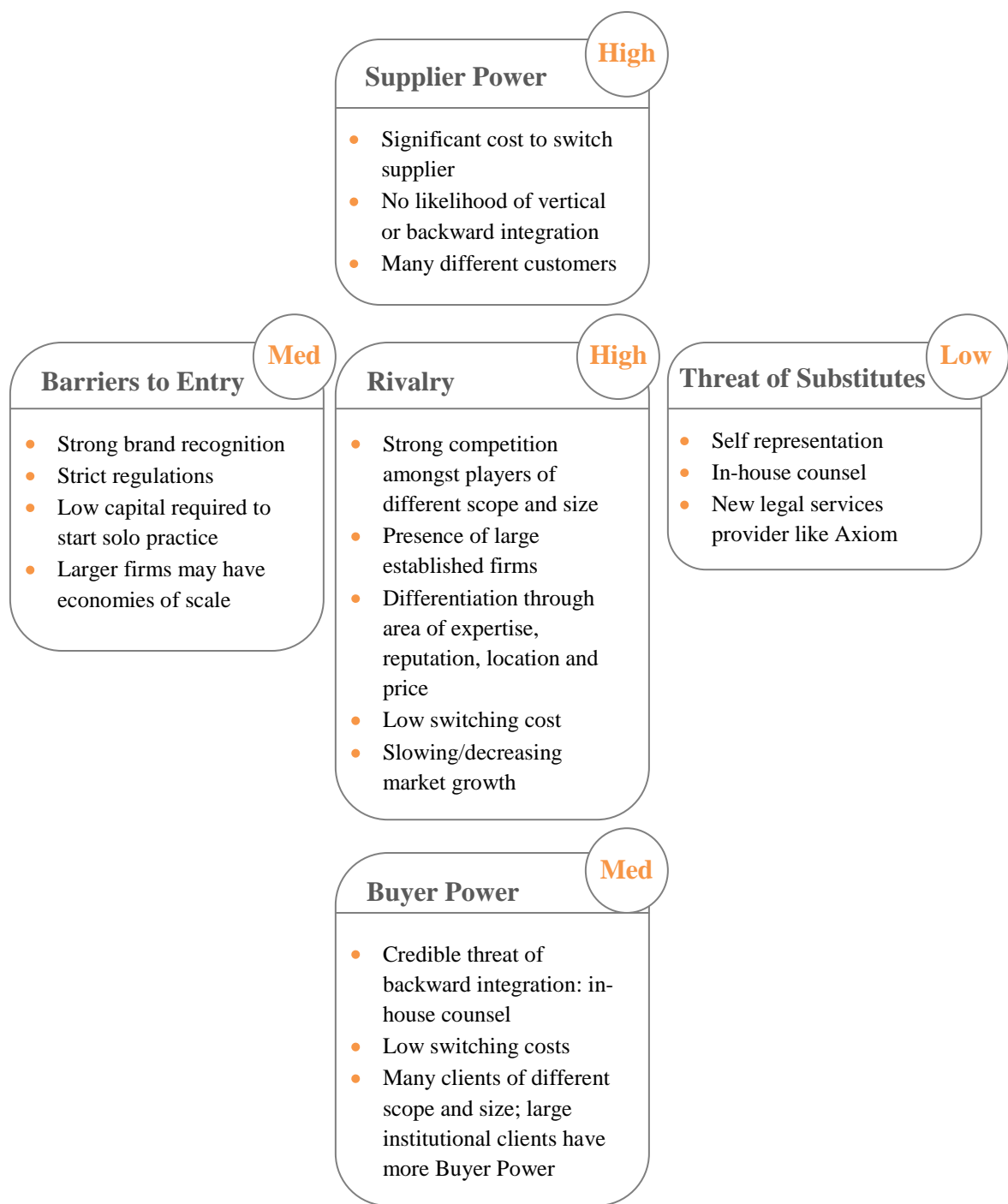


Figure 1. Law Firm Industry Analysis Based on Michael Porter’s Five Forces Analysis

2.6 National and Economic Trends

Recent turmoil in the world economy has led to much speculation regarding Canada's economic health. On November 11th, 2008, Mr. Dale Orr, a managing director of Global Insight said the country will lose 100,000 jobs in the first three months of 2009 and believes Canada has already entered its first recession in 17 years (Belframe, 2008). In parallel, the Bank of Montreal declared that Canada's resource-sector boom that sustained much of the country's growth the past few years has ended after commodity prices plummeted another 16.7 per cent in October, the largest one-month decline in the index's history since January 1965 (Cooper, 2008). These projections and data are just a few examples of current market uncertainties. It is expected that corporations will attempt to reduce their cash burn rate and take different measures to recession-proof their businesses until the actual extent of the crisis is known.

Usual consequences of recessions such as lower gross domestic product, a higher unemployment rate, and higher government deficits understandably affect Canadian businesses, especially in sectors such as manufacturing, and result in less work for both internal and external lawyers (Doucet, 2008). As a result, rivalry will increase and so will buyer power. Depending on the size and length of the anticipated recession, traditional law firms may try different strategies to differentiate themselves and retain the business of their larger clients. New entrants like bio.legal LLP could suffer from those strategies.

3: HOW WILL THE FORCES AFFECT BIO.LEGAL LLP AS A NEW ENTRANT?

bio.legal LLP believes that the threatening forces present in the law firm industry will not impact it in the same way they affect traditional law firms.

3.1 Medium Threat of Substitute

bio.legal LLP will obviously compete against traditional law firms and in-house legal counsels but, because of its speciality and target market, bio.legal LLP considers traditional law firms and in-house legal counsels as being substitutes rather than direct competitors. Direct competitors will be newcomers like Axiom and Cognition LLP. bio.legal LLP does not believe that these competitors will be the most harmful ones. Instead, bio.legal LLP expects that its biggest competitors will be the CEO's, CFO's or any other non-lawyer employees that take care of the day-to-day contracts in most Biotech/Pharma Companies. In other words, bio.legal LLP's primary substitute is the ignorance of one's legal needs regarding the day-to-day contracts.

3.1.1 Traditional Law Firms with Expertise in Biotechnology or Life Sciences

In order to be considered as a potential competitor of bio.legal LLP, a law firm must offer services in the areas of life sciences and/or biotechnology. In British Columbia, it appears that only five law firms offer services in such areas; Farris Vaughan Wills & Murphy, Fasken Martineau, McCarthy Tétrault, Gowlings and Lang Michener. All of these law firms are large established firms that are fighting for the high end/high

margin transactions with little interest or expertise regarding the less glamorous day-to-day contracts. In fact, only one Canadian national firm promotes its services for the day-to-day contracts of biotech companies, supporting bio.legal LLP's belief that those needs are not currently being addressed.

According to bio.legal LLP's survey (Appendix 2: Survey Answers), law firms are appreciated for their prompt services, their breath of experience in the client's field, their expertise and their comprehensive level of services. Law firms' most important disadvantage is their costs. As one respondent describes it, "[Law firms'] fees are excessive and based on a strategy to maximize fees not for the ultimate long term benefit of the company" (Appendix 2: Survey Answers).

3.1.2 In-House Counsels in Biotech/Pharma Companies

A generalisation of the answers to bio.legal LLP's survey (Appendix 2: Survey Answers) would suggest that none of the Biotech/Pharma Companies in British Columbia has an in-house legal department. Although it has been impossible to obtain the actual number of in-house counsels currently employed by Biotech/Pharma Companies, bio.legal LLP dismissed such suggestion and rather estimated that less than 10% of them have an in-house legal department. Known companies that currently have a legal department include QLT, Angiotech and Cardiome Pharma Corp.

In-house counsels are generally hired on a full time basis without any possible adjustment to demand. This inflexibility contributes to a general belief that in-house counsels are too expensive (see Appendix 2: Survey Answers).

The threat of substitution from full time in-house counsels may increase overtime as bio.legal LLP's clients witness the benefits of in-house counsel and grow to a point where they need full-time services.

3.1.3 Real Competition: Ignorance of Legal Needs

It can be deduced from the responses to bio.legal LLP's survey (Appendix 2: Survey Answers) that most Biotech/Pharma Companies do not find value in paying fees to traditional law firms or in supporting the costs of an in-house legal department for day-to-day legal advice. Instead, their senior executives negotiate their day-to-day contracts. bio.legal LLP believes that these companies are honestly convinced that they are appropriately handling their day-to-day operations from a legal point of view. Aside from the fact that the executives taking care of these day-to-day contracts do not have a legal background, the concern is that the same templates are repeatedly being used without making any adjustments to address the specificities of each situation. Furthermore, executives have many other obligations, which prevent them from giving sufficient attention to contracts, leaving their firm exposed without appropriate recourses if the contractual relationship turns sour. It is bio.legal LLP's belief that these companies are adversely affecting their competitive advantage by neglecting their legal needs and that they realize often too late that they should have had proper legal advice.

3.2 Low Rivalry: Axiom, Cognition LLP and Other Legal Services Providers Based on the Same Business Model

Given Axiom's tremendous success in the USA, bio.legal LLP expects that many law firms will emerge under the same business model. In Canada, the only comparable entity is Cognition LLP, an Ontario law firm established in 2005 that offers services

similar to those provided by Axiom and contemplated by bio.legal LLP. Both of these newcomers offer in-house counsel services to companies as an alternative to full time in-house counsel or as a supplement to existing legal department when demand is too high. These new competitors do not currently pose a serious threat to bio.legal LLP as there is no known legal services provider offering this type of services in British Columbia or for the biotech/pharma industry.

3.3 Medium Barriers to Entry

The extremely low start-up costs combined with the high return on investment are two attractive incentives for potential newcomers. However, new entrants will probably not target the biotech/pharma companies like bio.legal LLP because of the high level of expertise required to give legal advice to these companies and because of the small size of the market.

3.4 Medium Buyer Power

With its capacity being less than the expected demand (as further explained in Section 5.35:), bio.legal LLP's will be available to a limited number of clients, an exclusivity that will reduce buyer power to a low threat.

3.5 Low Supplier Power

bio.legal LLP will not rent class A office space or use highly sophisticated or customized systems to track its time or to store its electronic documents. This should significantly reduce switching costs, thereby weakening supplier power.

3.6 Current Economic Trends

bio.legal LLP forecasts that the economic meltdown will encourage businesses to find ways to reduce spending while remaining competitive. This mindset should facilitate bio.legal LLP's entrance on the market and contribute to the adoption of its services.

4: BIO.LEGAL LLP'S CUSTOMERS

4.1 The Pharmaceuticals, Biotechnology and Life Sciences Industry in British Columbia, Canada

According to the Organisation for Economic Co-Operation and Development (OECD), biotechnology can be defined as "the application of scientific and engineering principles to the processing of materials by biological agents to provide goods and services" (OECD, 2005). The biotechnology industry includes organizations active in the areas of biopharmaceuticals, medical devices, bio-products, bioinformatics, nanotechnology, agriculture, marine, environmental and forestry.

In British Columbia, biopharmaceuticals account for the largest portion of the biotechnology industry. In 2005, the biopharmaceuticals sector was composed of roughly 91 companies with annual revenues of approximately \$779 million according to a 2005 Statistics Canada report (Ministry of Economic Development, British Columbia). In contrast, the BC Medical Device Technologies Association (BC MedTech) reported 63 member companies directly involved with medical devices (Ministry of Economic Development, British Columbia).

British Columbia has been identified as the fastest growing biotech centre in Canada and as the seventh (7th) largest biotech cluster in North America (Life Sciences British Columbia, 2007).

4.2 Biotech/Pharma Industry Analysis

The biotech/pharma industry has been analysed using Porter's Five Forces Analysis (Porter, 1980) and has been assessed as highly competitive (Figure 2). Rivalry, supplier power and buyer power are threatening firms' ability to become and remain profitable. Younger firms are also greatly affected by the numerous barriers to entry, which have effect until the company is financially self-sufficient with its first product on the market. Substitutes are only moderately influencing biotech/pharma companies' profitability.

4.2.1 High Rivalry

Rivalry is the strongest force threatening biotech/pharma companies. Many firms of different scope and size are competing for patent protection and for the support of doctors prescribing their product. The low switching costs for buyers increases rivalry. The fact that the firms can differentiate their products almost indefinitely and that more than one treatment can exist on the market for the same indication slightly eases rivalry.

4.2.2 High Buyer Power

Buyer power becomes a threat to biotech/pharma companies only when they have products on the market. Although it takes many years to bring a product to market, young biotech/pharma companies should not ignore this force. If a drug cannot provide an acceptable return on investment, a company should not invest time and money in pursuing its development. This reality needs to be continually reconsidered as more information is obtained on the efficacy, safety and the anticipated Cost of Good Solds of the product to ensure that no resources are wasted. The major buyers of prescription

drugs vary from one country to another. In Canada, prices are set by regulation, which translate into a strong buyer power for the government health authorities. Buyer power is weakened when individuals or smaller organizations purchase the product. Generally, individual buyers have low switching costs for over-the-counter drugs except when there is only one treatment available. For prescribed drugs, the ultimate decision maker is the prescribing doctor. In that case, the buyer power of individuals will remain strong only if generics are available on the market.

4.2.3 High Supplier Power

Suppliers of biotech/pharma companies include suppliers of raw materials, contract manufacturing organizations, contract research organization and suppliers of administrative services. The biotech/pharma industry has been faced with a constant increase of the price of raw materials over the past several years. Biotech/pharma companies are particularly vulnerable to price increases for critical raw materials that cannot be purchased elsewhere. Changing of suppliers of raw materials and contract manufacturing organizations is done at very high switching costs; tech transfer can take more than a year and the regulatory process required to certify a new organization is also lengthy. Long established suppliers are now facing mounting competition from Chinese and Indian suppliers, creating a rivalry that could ultimately benefit biotech/pharma companies if these new suppliers are able to comply with western quality standards despite weak local regulations and if it results in a reduction of the price of raw materials.

4.2.4 High Barriers to Entry

Many barriers to entry exist in the biotech/pharma industry. Ten years ago, it took on average 14.8 years and around \$250 million to bring one drug to market in the USA (Harvard School of Business, 1998). This lengthy and expensive process combined with the hefty regulations creates strong barriers to entry. In addition, firms compete aggressively for financing and for patent protection. Potential sky rocketing return on investment, the low switching costs of buyers and the low brand recognition are components that attract newcomers in the biotech/pharma industry.

4.2.5 Low Threat of Substitutes

The threat of substitutes is weak for the biotech/pharma industry. Patent and other types of intellectual property delay the apparition of cheaper substitutes, allowing the firms to enjoy a monopoly position for a certain number of years. It is only upon expiration of the patent protection that generics are legally allowed on the market. Even then, biogenerics are extremely difficult to imitate, further reducing the threat for biotechnology companies. Biotech/pharma companies also see the holistic medicines as a substitute, mainly for over-the-counter products (Pharmaceuticals, Biotechnology & Life Sciences Industry Profile: Global, 2008).

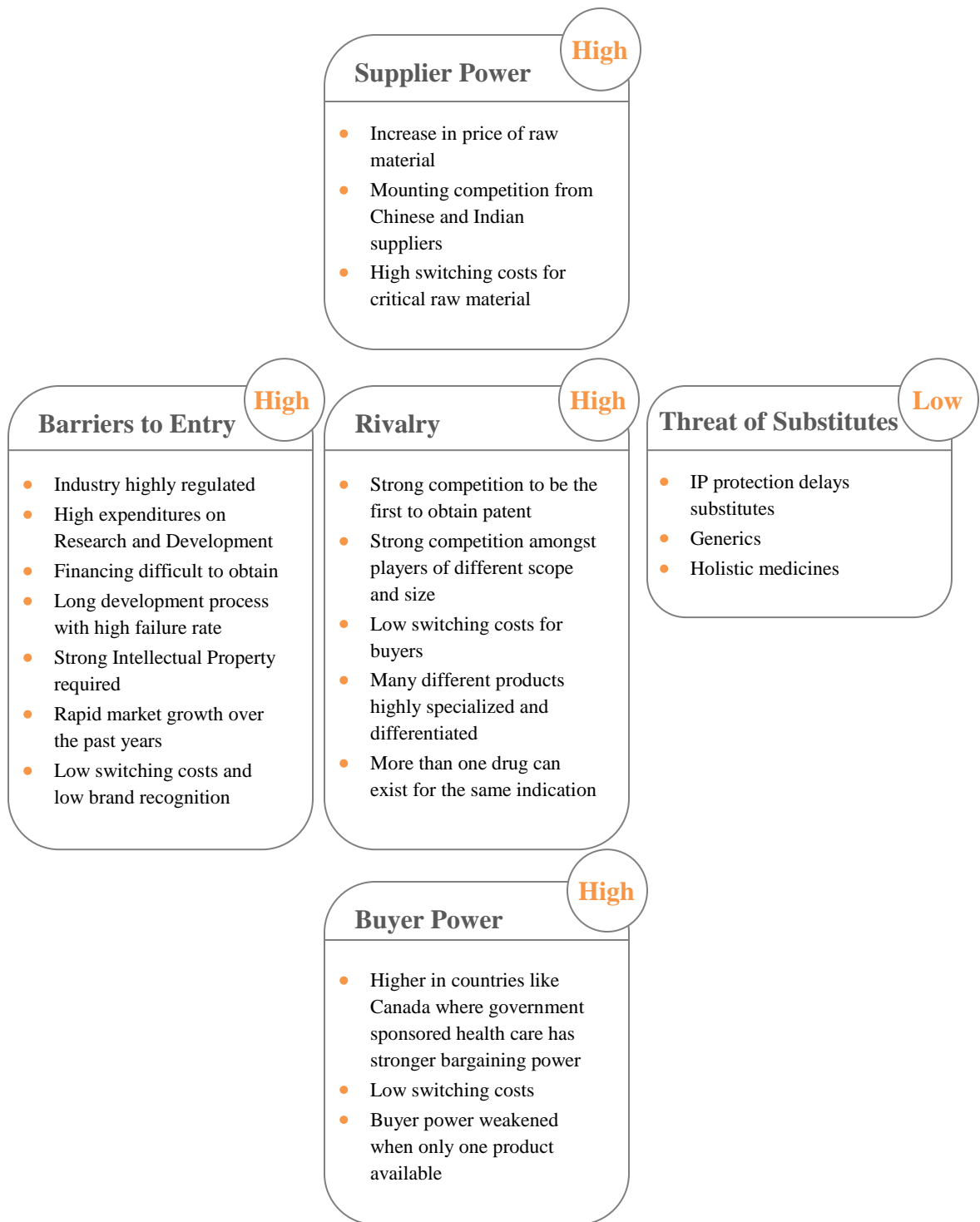


Figure 2. Biotech/Pharma Industry Analysis Using Michael Porter’s Five Forces Analysis

4.3 bio.legal LLP's Target Market

4.3.1 Fit with bio.legal LLP's Expertise

In selecting its market, bio.legal LLP has excluded certain categories of biotechnology companies, as they do not operate in bio.legal LLP's scope of expertise. This is the case for companies doing business in the areas of bio-products, environment and forestry for example. Companies that are providing services to biotech/pharma companies such as laboratories were also excluded due to potential conflicts of interest. Non-profit and governmental institutions have also been excluded from the list of potential clients because of their particular corporate structure. Finally, companies that are headquartered outside of British Columbia or large multinational companies have been excluded.

As a result of the above mentioned exclusions, it has been decided that bio.legal LLP's should concentrate its services around small to medium-sized companies that are involved in the areas of biopharmaceuticals, medical devices and diagnostics located in British Columbia (hereinafter, the "Biotech/Pharma Companies"). The Biotech/Pharma Companies are particularly vulnerable to the forces described in Section 4.2 above and bio.legal LLP believes that a stronger competitive advantage would dampen the adverse effects of the forces. bio.legal LLP has put together a list of all known Biotech/Pharma Companies, for a total of 53 potential clients, and sent them a survey to gather more information about their needs regarding legal services (see Appendix 1: Survey To Potential Clients and Appendix 3: List of Biotech/Pharma Companies).

4.3.2 When Does a Company Need an In-House Counsel?

According to Mr. Stephen E. Seckler of General Counsel Consulting (Seckler, 2007), some factors directly influence the need for hiring a full-time or part-time lawyer:

- Sales exceed \$10 million and/or the headcount of the company goes beyond 250;
- The company provides a service or sells a product that has the potential to cause great physical, emotional, or financial harm;
- The company owns and/or leases several properties;
- The company deals with a high volume of contracts with vendors and clients;
- The company is in a regulated industry;
- The business is heavily involved in the purchase, sale, and/or development of valuable intellectual property;
- The company is contemplating going public; and
- The company is facing a serious legal/PR problem that is likely to linger.

Ms. Sandra L. Etherton of Etherton Law Group, LLC seems to agree with Mr. Seckler, identifying the major factors as the amount of revenue, the number of employees, the company's plans to go public and the nature of its industry with respect to intellectual property (Etherton, 2001). However, Ms. Etherton downplays the importance of the revenue factor and replaces it with the cash burn rate for companies that do not have revenues yet, like most Biotech/Pharma Companies. According to Ms. Etherton, when a company with no revenue spends \$25-\$30 million annually, it should consider

having in-house counsel, even more so when the company is publicly traded or plans an initial public offering (Eherton, 2001).

As further explained, small to medium sized Biotech/Pharma Companies meet almost all the factors described above, supporting bio.legal LLP's assertion that bio.legal LLP's services are required.

4.3.3 The Special Needs of Biotech/Pharma Companies

Drug development costs many millions of dollars and takes many years to complete. It is also highly competitive with many companies competing for patients, funding and qualified staff. In order to maintain competitive advantages over much larger, international pharmaceutical companies, Biotech/Pharma Companies need to ensure that their efforts are focused and their funds spent wisely.

Early on in the research and development process, it is essential that Biotech/Pharma Companies proactively protect any confidential information that is being disclosed and retain all rights to the intellectual property developed with such confidential information. Unfortunately, without an in-house legal counsel, Biotech/Pharma Companies often use standard templates that do not adequately protect the company's information and intellectual property, thereby jeopardizing any advantage against competitors and weakening licensing ability.

Furthermore, most small to medium sized Biotech/Pharma Companies do not have the physical resources to develop a product entirely in-house. Instead, they outsource a lot of the work to vendors commonly referred to as Clinical Research Organizations and Clinical Manufacturing Organizations. Biotech/Pharma Companies

also draw upon the expertise of key opinion leaders and other consultants. All such activities must be controlled and managed with appropriate contracts, which can number up to several hundred contracts per year. All of these day-to-day contracts must be carefully crafted to ensure that they will be enforceable against delinquent vendors.

Finally, as most Biotech/Pharma Companies need outside funding to support their development process, most become subject to regulations applicable to public companies. As a result, companies must establish internal rules and processes that comply with U.S. Sarbanes-Oxley rules and relevant Canadian rules as early as possible. Additionally, companies need to anticipate that they will be accountable to shareholders, venture capitalists, securities and other governmental authorities. Biotech/Pharma Companies publicly traded in the US should also be particularly cautious of the litigious culture in the US market.

Although all the respondents of bio.legal LLP's survey have answered that day-to-day contracts are very important for the success of the company, only one of them use qualified lawyers to negotiate those contracts (Appendix 2: Survey Answers). This is even more surprising when taking into account the fact that those respondents spend between \$50,000 and \$12 million annually on external vendors, with an average of \$2.3 million per year (Appendix 2: Survey Answers).

5: SALES FORECAST

5.1 Demand Estimation for bio.legal LLP's Services

Through its online survey, bio.legal LLP asked potential clients to estimate their needs for bio.legal LLP's services (see responses in Appendix 2: Survey Answers). Based upon these numbers, bio.legal LLP calculated the averaged hourly need per Biotech/Pharma Company. bio.legal LLP then applied the averaged hourly need to the different estimates regarding the size of the biotech/pharma industry in British Columbia. As demonstrated in Table 2. Demand Estimates for bio.legal LLP's Services, demand from the biotech/pharma industry (including medical devices and diagnostics) could be considerable. However, it is important to note that bio.legal LLP's estimates may not be statistically valid given the survey's low response rate (~10%). All assumptions and further explanations of methodology are provided in Appendix 4: Demand Estimates Assumptions.

If, on average, 100% of the companies require 1.33 day per month

Estimated number of companies	Days per month	Hours per month	Monthly Revenues	% of monthly capacity	Annual Revenues
154	205	1643	\$ 287,467	540%	\$ 3,449,600
90	120	960	\$ 168,000	316%	\$ 2,016,000
53	71	565	\$ 98,933	186%	\$ 1,187,200

If, on average, 75% of the companies require 1.33 day per month

Estimated number of companies	Days per month	Hours per month	Monthly Revenues	% of monthly capacity	Annual Revenues
116	154	1232	\$ 215,600	405%	\$ 2,587,200
68	90	720	\$ 126,000	237%	\$ 1,512,000
40	53	424	\$ 74,200	139%	\$ 890,400

If, on average, 50% of the companies require 1.33 day per month

Estimated number of companies	Days per month	Hours per month	Monthly Revenues	% of monthly capacity	Annual Revenues
77	103	821	\$ 143,733	270%	\$ 1,724,800
45	60	480	\$ 84,000	158%	\$ 1,008,000
26.5	35	283	\$ 49,467	93%	\$ 593,600

If, on average, 25% of the companies require 1.33 day per month

Estimated number of companies	Days per month	Hours per month	Monthly Revenues	% of monthly capacity	Annual Revenues
39	51	411	\$ 71,867	135%	\$ 862,400
23	30	240	\$ 42,000	79%	\$ 504,000
7	9	71	\$ 12,367	23%	\$ 148,400

Table 2. Demand Estimates for bio.legal LLP's Services

5.2 Underlying Assumptions of Sales Forecast

According to the above-mentioned demand estimates, bio.legal LLP could reach annual sales of \$3.5 million in its first few years of existence. As good as this sounds, the demand estimates was not used to develop the sales forecasts of bio.legal LLP. This is due to bio.legal LLP's limited capacity to provide services with only two partners on hand. This business plan cannot assume that bio.legal LLP will be able to take on enough partners or hire enough employees or independent contractors to accommodate demand because of the specialization required to provide quality services to the targeted audience.

Growth alternatives include training lawyers or diversifying bio.legal LLP's targeted clients.

In addition, each client is different and it has been impossible to single out one factor that directly influences the number of hours required by a client. As such, it is impossible to determine whether the monthly average number of hours required obtained with the survey is statistically representative or not.

All other assumptions that were used to arrive at the sales forecast have been explained in full in Appendix 5: Sales Forecast Assumptions.

5.3 bio.legal LLP's Capacity

This business report contemplates the viability of bio.legal LLP, a limited liability partnership composed of only two partners. If both partners provide services on a full time basis (assuming 8 hours per day) from Monday to Friday, with no time allocated to marketing, general administration, vacation or sick days and professional development, the maximum capacity of bio.legal LLP would be 4,032 hours per year. With nine days per partner allocated annually to continuing legal education (see Appendix 6: Calendar of Professional Development) and 15 days per partner for vacation, the maximum capacity of bio.legal LLP would decrease to 3,648 hours per year (228 days) based on bio.legal LLP's actual working days in 2009 (Appendix 7: bio.legal LLP's Working Days in 2009). From this amount, enough time needs to be subtracted to allow for general business administration and marketing. It has been estimated that bio.legal LLP's partners should not work more than 80% of the maximum capacity, resulting in a final capacity of 2,918 hours or 1,459 hours per partner.

5.4 Projected Sales

Projected sales of bio.legal LLP's services will continue to grow into the year 2011. At that point, bio.legal LLP's partners will work on billable hours 80% of the working days. They will use the other 20% for marketing and general administrative tasks.

Projected sales of bio.legal LLP's services will reach the maximum level by bio.legal LLP's third year of activity, providing that bio.legal LLP does not take on more partners or hire employees or independent contractors. Based on the demand estimates for bio.legal LLP's services and on



Figure 3. bio.legal LLP's First Year Sales Forecast

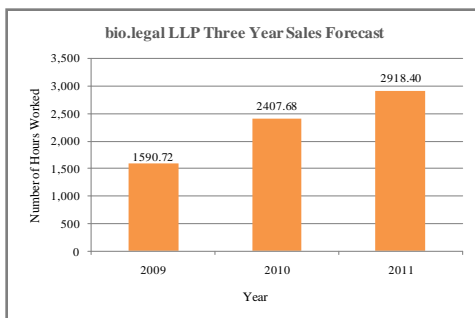


Figure 4. bio.legal LLP's Three Year Sales Forecast

Cognition LLP's experience (Milestone, 2008), it is very well possible that bio.legal LLP will reach its maximum capacity by the end of its first year.

Figure 3. bio.legal LLP's First Year Sales Forecast displays the predicted sales for the first year of

bio.legal LLP while Figure 4. bio.legal LLP's

Three Year Sales Forecast shows the projected sales over the first three years of activity of bio.legal LLP.

6: SHOULD BIO.LEGAL LLP ENTER THE MARKET?

For a quick answer, yes, bio.legal LLP should enter into the market. This feasibility report clearly demonstrates that the forces threatening traditional law firms would not affect bio.legal LLP as much, suggesting that bio.legal LLP should be able to enter into the market without major obstacles. As the seventh largest biotechnology cluster, British Columbia is an ideal location for bio.legal LLP and feedback from the industry clearly suggests that there are unambiguous needs for bio.legal LLP's services.

Demand is expected to rapidly exceed bio.legal LLP's capacity, suggesting that bio.legal LLP's will be extremely profitable with many opportunities for growth and expansion.

The following sections will discuss bio.legal LLP's implementation plan.

7: MARKETING PLAN

7.1 bio.legal LLP's Services

bio.legal LLP's services have been designed to help Biotech/Pharma Companies overcome the threatening forces described in Section 4.2 above by optimizing their competitive advantage. They are described below in order of interest evidenced by the answers to bio.legal LLP's survey (Appendix 2: Survey Answers).

7.1.1 Part-time or Project Base Services

If hired part-time, bio.legal LLP will go to the office of its client according to a schedule determined in advance. bio.legal LLP's lawyers would preferably attend their

Part-Time Services include:

- Meeting with team requesting the contract
- Drafting, reviewing and negotiating contracts
- Advising companies on:
 - Human rights issues
 - Labour issues
 - Immigration issues
 - Corporate governance
 - Management of IP portfolio
 - Insurance
- Conflict resolution
- Management of external counsel
- Drafting templates
- Training employees

clients' offices weekly or bi-weekly in order to maximize their impact. bio.legal LLP will oversee the day-to-day operations of its clients described in Table 3, as requested by each client.

If hired on a project base, bio.legal LLP will be involved in a limited number of matters, a large worldwide clinical trial for example. In that case, bio.legal LLP will also work from its client's office, but for a limited period only.

Table 3. Description of bio.legal LLP's Part-Time Services

7.1.2 Training Sessions

bio.legal LLP will offer training sessions to its clients' employees. Topics will vary according to the clients' needs, but all the training sessions will be offered based on the package described in Table 4. Potential topics include insider trading, corporate

<p>Included in the Training Session Package:</p> <ul style="list-style-type: none">• Initial meeting with senior management• Preparation of PPT presentation• One-hour long presentation• Hand out of supporting materials• Answer to follow-up questions
--

Table 4. Description of the Services Included in bio.legal LLP's Training Session Package

governance, confidentiality obligations, etc.

The cost of these sessions will be significantly less than what a client would pay if bio.legal LLP was charging its hourly rate and pass-through expenses for the materials. This discount is offered because

bio.legal LLP considers that the training

sessions are a good marketing tool and will ultimately attract more business for bio.legal LLP.

7.1.3 Setting Up Interactive Database for Contracts

An interactive database is a precious tool for contract management. It allows

<p>Included in the Interactive Database Package:</p> <ul style="list-style-type: none">• Initial meeting with senior management• Meetings with key stakeholders• Meetings with potential service providers• Customization of database selected• Training of client's employees

Table 5. Description of the Services Included in bio.legal LLP's Interactive Database Package

employees to access all the documents posted on the database while controlling who has access to which documents.

Accounting can review the payment terms before processing an invoice,

while others can keep track of the timelines in each contract. The

interactive database is also very useful to request comments and keep track of the different versions of a contract.

If bio.legal LLP is hired to set-up an interactive database, it will take care of all the necessary steps as described in Table 5, making this change painless for the client and its employees.

7.1.4 Setting Up Legal Department

If bio.legal LLP's clients have enough business to justify hiring a lawyer or a paralegal, bio.legal LLP will help such clients establish their legal department. In this

<p>Included in the Legal Department Package:</p> <ul style="list-style-type: none">• Initial meeting with senior management• Meetings with key stakeholders• Co-ordination with head hunters• Screening of candidates• Establishment of policies and processes• Draft of standard templates• Training of selected candidates

Table 6. Description of the Services Included in bio.legal LLP's Legal Department Package

case, the scope of the project will depend on the qualification and experience of the selected candidate(s), including some or all the elements described in Table 6. This service will only make sense if bio.legal LLP will retain or gain some business from such clients or for long standing clients of bio.legal LLP.

7.2 Sales Strategy

bio.legal LLP will attempt to recruit new clients while solidifying its relationships with existing clients. Potential clients initially targeted will be those that are about to initiate a large clinical trial, those that have just or will soon receive marketing approval and those that have just become or will soon become publicly traded. These types of

milestones have been identified as events that directly influence the need for legal advice concerning day-to-day operations and bio.legal LLP expects that these companies will likely see value in having in-house legal services. bio.legal LLP's push to increase its market share will be aided by the current economic downturn, which will force companies to look for cost effective alternatives in order to conserve cash. bio.legal LLP will also focus on its area of expertise, its flexibility and its supplementary role as business advisor. bio.legal LLP's sales strategy will be to convince a biotech company to hire bio.legal LLP for a small project in order to demonstrate how valuable in-house legal services are. bio.legal LLP hopes that once the clients will have had a glimpse at what bio.legal LLP can offer, they will want more. bio.legal LLP expects that scepticism, complacency and ignorance will be its biggest hurdles in securing work from clients. bio.legal LLP plans to overcome these obstacles by providing education to its potential and existing clients. In summary, our marketing goals are as follows:

1. Educate Biotech/Pharma Companies and create awareness about the value of in-house legal counsel;
2. Create brand recognition about bio.legal LLP; and
3. Deliver consistently good services, take initiatives and fulfil commitments in a timely manner to ensure retention.

7.3 Promotion of bio.legal LLP's Services

7.3.1 Life Sciences British Columbia

Life Sciences British Columbia ("Life Sciences BC") "represents and supports British Columbia's life sciences and biotechnology industry and wider community

through advocacy, facilitation of economic development and promotion of [the] industry locally, nationally and internationally” (Life Sciences British Columbia, 2007). In a sense, Life Sciences BC is a central forum for BC’s biotechnology cluster. As such, it is the best medium to advertise bio.legal LLP’s services. bio.legal LLP will put an advertisement in the magazine *Life Sciences British Columbia 2009, official publication*, published by BIV magazines and which will be distributed in March 2009 to 5,000 people.

A link to bio.legal LLP’s website will also be posted on the website of Life Sciences BC. This opportunity comes at no cost to bio.legal LLP as it is a free service offered to all the members of Life Sciences BC.

Life Sciences BC also organizes numerous networking events. Those events take place many times year-round and participation is offered at a minimal cost. Those events will be perfect to connect with potential clients and to create awareness about the services of bio.legal LLP.

7.3.2 Meeting with Potential Clients

According to Mr. Joe Milestone, one of the founding partners of Cognition LLP, having five minutes of someone’s time is often sufficient to secure a meeting with the management team (Milestone, 2008). Ms. Sage Baker, the former Vice President of Global Corporate & Investor Relations for Aspreva Pharmaceuticals and a seasoned consultant currently working for FD International in San Francisco, suggests meeting with executives with a clear plan that addresses existing needs (Baker, 2008). For the transcripts of the interviews with Mr. Joe Milestone and Ms. Sage Baker, see Appendix

8: Transcript of Interview with Mr. Joe Milestone of Cognition LLP and Appendix 9: Transcript of Interview with Sage Baker of FD International, respectively.

bio.legal LLP intends to follow the above advice and to meet potential clients directly to offer a more comprehensive description of its services. bio.legal LLP will make a Power Point presentation to senior management and/or the board of directors to clearly explain how its services will add value to their bottom line. Before its meeting with a particular potential client, bio.legal LLP will gather as much information as possible about the company's pathway, goals and strategy and will possibly meet with one or two key executives beforehand to discuss the client's needs. Each presentation will be personalized in accordance with bio.legal LLP's findings.

7.3.3 Website: www.biolegal.com

In December 2008, a website will be designed to explain bio.legal LLP's concept, describe its services and provide the biographies of Emmanuelle Vallée and Jennifer Begg. As bio.legal LLP develops long-term relationships with clients, statements of appreciation and case studies will be posted on the website to enforce a "word-of-mouth" effect. The website will be hosted at www.biolegal.com, a domain name currently available for sale. As it is unlikely that clients will search for a company like bio.legal LLP, bio.legal LLP will not rely on its website as the first point of contact with new customers. However, bio.legal LLP believes that potential clients who have met Emmanuelle Vallée or Jennifer Begg will appreciate having a chance to gather more information about the company and to verify their credentials before a follow-up meeting.

7.3.4 Conferences and Tradeshows

As a mandatory requirement established by the Law Society of British Columbia, Emmanuelle Vallée and Jennifer Begg will attend continuing legal development conferences offered to in-house counsel. bio.legal LLP will benefit from these conferences by taking the opportunity to market its services to in-house counsel already working in biopharmaceutical companies located in British Columbia. In these cases, bio.legal LLP will put emphasis on its supplementary services offered to companies that already have an in-house legal department. Instead of seeing these existing in-house counsels as competitors, bio.legal LLP will treat them as potential collaborators from whom they could get business to cover during a maternity or sick leave or just to offer supplementary services in times of necessity.

7.4 Strategic Alliances with Traditional Law Firms

As previously mentioned, large traditional law firms should not feel threatened by bio.legal LLP's services. bio.legal LLP offers services for which clients are not willing to pay the price charged by outside counsels. Instead of competing with these law firms, bio.legal LLP will attempt to develop mutually beneficial relationships with at least one of the five law firms in British Columbia that has expertise in the biotech/pharma industry. When these law firms have a client that requires services regarding its day-to-day operations, the law firm would refer them to bio.legal LLP. In exchange, bio.legal LLP would undertake to suggest the law firm's services whenever bio.legal LLP's clients are dealing with a matter that requires expertise that bio.legal LLP cannot offer.

7.5 Pricing

7.5.1 Pricing Strategy

bio.legal LLP will offer its services at a competitive price point, but penetration pricing will not be employed to undercut bio.legal LLP's competition. The pricing strategy will be consistent with the objective of the firm which is to develop bio.legal LLP's brand image as one of quality and professionalism. Price discounts and premiums might possibly be assigned to clients according to clients' needs and types of commitment.

7.5.2 Rates of Competitors

7.5.2.1 What Do In-House Counsels Really Cost?

According to a survey performed in 2006, the national average salaries of Canadian in-house counsels were as follows:

Lawyers	[Mid Range]		Low	High	Average Mid Range Salary	Corresponding Hourly Rate
General Counsel	\$ 122,470	\$ 223,620	\$ 42,000	\$ 600,000	\$ 173,045	\$ 83.19
Associate General Counsel	\$ 102,770	\$ 175,990	\$ 55,000	\$ 400,000	\$ 139,380	\$ 67.01
Senior Lawyer (>5 years)	\$ 85,720	\$ 127,450	\$ 53,000	\$ 300,000	\$ 106,585	\$ 51.24
Junior Lawyer (<5 years)	\$ 66,620	\$ 101,640	\$ 40,000	\$ 180,000	\$ 84,130	\$ 40.45

Table 7. National Average Salaries for In-House Counsels in Canadian Corporations

However, it is important to note that the above calculation is misleading because it does not take into account all the costs incurred by an employer. As such, one should not use the rates showed in Table 7 to compare the costs of in-house counsels with those of other providers of legal services. Instead, the real costs of in-house counsels should consider all the benefits that the in-house counsels received from their employer. For a junior in-house counsel with a base salary of \$84,130, this translates into a revised hourly

rate of \$106.19 (\$220,869 annually), almost three times as expensive as the base salary.

Appendix 10: In-House Counsel Real Cost contains the calculation and assumptions used to determine the revised hourly rate.

7.5.2.2 Law Firms' Overall Costs

According to a survey performed in 2008 by Kirsten McMahon on behalf of the Canadian Lawyer Magazine, the hourly rate of lawyers practising in traditional law firms varies between \$190 and \$360, depending on the location and experience of the lawyer (Table 8).

	2008 Call	2003 Call	1998 Call
National	\$220	\$310	\$310
1-4 lawyers	\$220	\$275	\$280
5-25 lawyers	\$220	\$350	\$360
26+ lawyers	\$190	\$250	\$330
Ontario	\$220	\$280	\$330
BC	\$190	\$290	\$280
Alberta	\$210	\$290	\$260

Table 8. Hourly Rates Charged by Lawyers Across Canada (McMahon, The Going Rate, 2008)

These rates are also misleading in that the final amount invoiced to a client by a law firm includes many other items such as photocopy, long distance telephone calls, meals, parking, database searches, etc. These fees are irritating to many clients, but the biggest source of dissatisfaction comes from the fact that many different lawyers will bill hours on the same matter. Clients do not generally have any control over the number of lawyers, students and paralegals involved on their file. There is no doubt that all of these people contribute to the file, but it is frequent to see duplication of the same task performed by several lawyers, resulting in a hefty final invoice.

7.5.3 bio.legal LLP's Rates

Although fees are largely market driven, it is commonly suggested to consultants to first determine a rate, which, based on assumptions about the capacity, will provide an acceptable return on investment and the desired standard of living for the consultants, or in bio.legal LLP's case, the partners (Gray, 2004). In order to determine such rate, bio.legal LLP proceeded to a break-even analysis using its amplified annual expenses and its final capacity (as defined below). bio.legal LLP used its amplified annual expenses, which equal bio.legal LLP's actual annual expenses in addition to two salaries at average market rate, because a break-even analysis using bio.legal LLP's actual annual expenses only would not reflect an acceptable return for bio.legal LLP's partners. As evidenced in Table 9 below, bio.legal LLP could charge between \$84.24 and \$336.96 per hour depending on actual demand, as estimated as a percentage of bio.legal LLP's final capacity.

Assumptions	
Annual Expenses	\$ 47,298.44
Salary at Average Market Rate	\$ 99,273.40
Amplified Annual Expenses	\$ 245,845.24
bio.legal LLP's Final Capacity	2918

Demand (as % of capacity)	Corresponding # of hours	Corresponding # of days	Rate to breakeven
100%	2918.4	365	\$ 84.24
75%	2188.8	274	\$ 112.32
50%	1459.2	182	\$ 168.48
25%	729.6	91	\$ 336.96

Table 9. Rates to Breakeven

After having evaluated its competitors' actual costs, bio.legal LLP has fixed its hourly rate at \$175, which would more or less guarantee an annual salary of \$84,130 plus 18% statutory and optional benefits to bio.legal LLP's partners if they work

approximately half of their final capacity. This rate is competitive with the rate charged by bio.legal LLP's most similar competitor, Cognition LLP, which is \$200 per hour (Appendix 8: Transcript of Interview with Mr. Joe Milestone of Cognition LLP). The discrepancy is mostly explained by the location of both firms.

Discount

bio.legal LLP will offer a discount of approximately \$20 per hour to its clients who guarantee at least five complete days of work per month to bio.legal LLP for at least three consecutive months. In that case, bio.legal LLP will charge a flat fee of 1,225 per day, regardless of the actual number of hours worked.

Premium

bio.legal LLP plans on working from the premises of its clients with a direct access to administrative resources. If bio.legal LLP's lawyers have to handle administrative tasks, an additional fee of \$10 per hour will be charged to the client.

Pass-thru expenses

In contrast to law firms, bio.legal LLP will not charge its clients for long distance telephone calls, meals, photocopies, parking, etc. Clients will only reimburse bio.legal LLP for travel costs incurred at their request. Mileage to and from the clients' offices will not be charged.

Other Services

Although it has been estimated that the training sessions would initially take approximately 16 hours to prepare, bio.legal LLP will charge a flat rate of \$1,600. This price is significantly less than what 16 hours would normally cost at bio.legal LLP's

hourly rate because bio.legal LLP desires to use the training session as a way to market its services. bio.legal LLP believes that the training sessions will generate questioning within the organization and disturb senior management's complacency. Furthermore, the time required to prepare each presentation will gradually decrease as bio.legal LLP's experience increases.

No costs have been determined for the establishment of an interactive database or for the establishment of a legal department because it is impossible to predict what each client will want. The costs of such services will be quoted on a case-by-case basis.

8: MANAGEMENT, ORGANIZATION AND OPERATING PLAN

8.1 Corporate Structure

This business plan proposes the creation of bio.legal LLP, a limited liability partnership (LLP) based out of British Columbia, Canada. bio.legal LLP will be founded and managed by Emmanuelle Vallée and Jennifer Begg. The limited liability partnership was chosen because it allows for a better tax treatment than a corporation does and it is preferable for liability purposes. Under this business plan, bio.legal LLP will only be composed of two partners so the risk factor is not significant. However, it is entirely possible that demand will exceed what two persons can address. If that happens, bio.legal LLP will have the option to take on additional partners or hire employees and/or independent contractors. Starting with an LLP allows for flexibility in the future and eliminates any duplication of registration fees and other start-up expenses that would have to be incurred should the type of entity needed to change to accommodate growth.

8.2 The Founding Partners

The founding partners will each have a 50% interest in the partnership.

8.2.1 Emmanuelle Vallée

Emmanuelle Vallée graduated from law school in 2004, after having spent one third of the program in Belgium where she studied international commercial law.

Emmanuelle articulated and practised law in Montreal at McMillan Binch Mendelsohn with

a special focus on corporate/commercial law. Emmanuelle moved to Vancouver to undertake a full time Master in Business Administration (MBA) with a special focus in Biotechnology offered at Simon Fraser University. Following her MBA, Emmanuelle joined Cardiome Pharma Corp. as the Legal Affairs Associate.

8.2.2 Jennifer Begg

Jennifer Begg graduated with a Bachelor of Science (Major: Biology and Minor: Environmental Toxicology) from Simon Fraser University in 1998. She attended the University of British Columbia for her law degree, graduating in 2001. Jennifer spent a few years articling and practicing in downtown Vancouver. She joined Cardiome Pharma Corp. in 2003, establishing their in-house legal department.

8.3 Business Location and Size

bio.legal LLP will not have any business office. Its partners will work either at home or directly at their client's premises.

8.4 Staff and Equipment Needed

bio.legal LLP does not expect to hire any administrative staff in its first years of existence. Instead, bio.legal LLP will hire New Look Business Centre, a Vancouver-based company that offers virtual office services. New Look Business Centre will answer telephone calls in bio.legal LLP's name and will receive bio.legal LLP's couriers and mail. If necessary, bio.legal LLP will also have access to New Look Business Centre's facilities such as boardrooms for meetings with clients.

A complete list of the equipment required is listed in Appendix 11: List of Equipment Required Per Partner.

8.5 Timeline

bio.legal LLP plans on formally forming by December 2008 but will initiate certain activities earlier in 2008. The first year's activities will consist primarily of advertising and marketing bio.legal LLP's services, establishing relationships with private law firms and building a strong client base. Services could be provided as soon as January 2009. An expanded timeline, including all the legal requirements that bio.legal LLP needs to comply with, is provided in Appendix 12: Implementation Timeline.

9: FINANCIAL PLAN

9.1 Underlying Assumptions

All financial assumptions that were used to arrive at the operating expenses and other related costs have been explained in full in Appendix 13: Financial Assumptions. When possible, all costs were taken at the going rate announced for 2009 for the region. Other costs were taken at the going rate in 2008 for the region or estimated to the best of our knowledge.

9.2 Financial Highlights

Financial Highlights	2008	2009	2010	2011
Total Revenue	0	275,592	417,131	505,613
EBIT	-3,891	234,419	373,806	460,007
Net Profit	-3,891	233,602	373,168	459,550
Free Cash Flow	15,569	24,171	53,106	54,300

Table 10. Summary of Financial Highlights

A summary of financial highlights is provided above with the accompanying financial statements provided in Appendix 14: Financial Projections. Pre-revenues costs will be incurred upon formation of the partnership in December 2008 and subsequently generate a negative income for that period. Through its second month of existence (first month of activity), bio.legal LLP's net income will become positive and continue to grow over \$500,000 in 2011. Enough liquidity will be acquired to remain cash flow positive. The initial investment will be used to register the partnership, purchase marketing and advertising supplies, purchase furniture and equipment, pay for professional and business

memberships and for the ongoing expenses incurred during the first two months of activity (before revenues from sales are received).

9.3 Key Financial Indicators

An overview of financial indicators is provided in Figure 5.

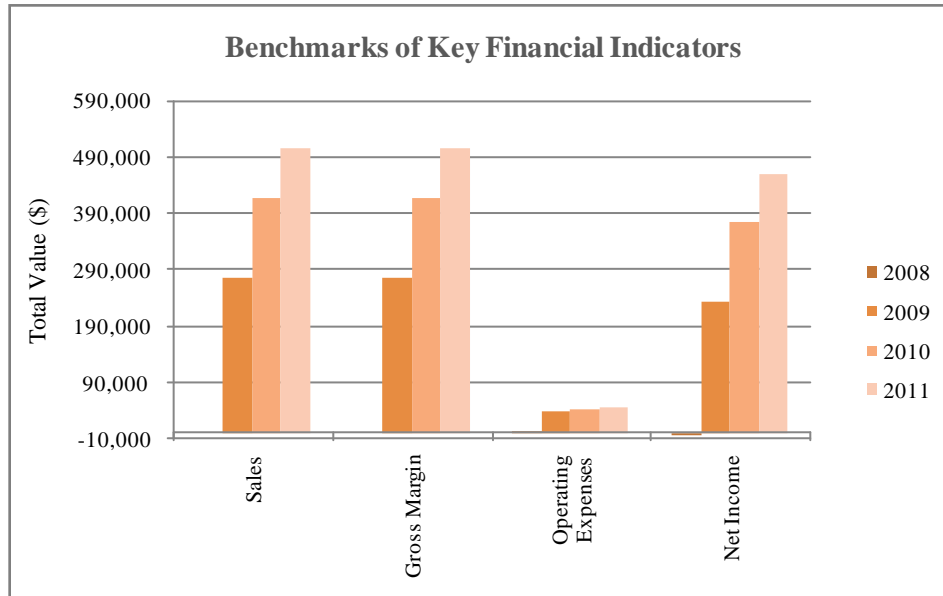


Figure 5. Summary of Key Financial Indicators 2008-2013

9.4 Breakeven Analysis

Based upon projected sales, bio.legal LLP is expected to breakeven by mid-April 2009, which is less than four months after bio.legal LLP will have started its services. At that time, bio.legal LLP will have worked more than 270 hours (Figure 6). The breakeven point will represent \$47,298.44 in sales. This amount is very low because bio.legal LLP, as a partnership providing services, has no Cost of Goods Sold, which significantly decreases the costs associated with the business operations.

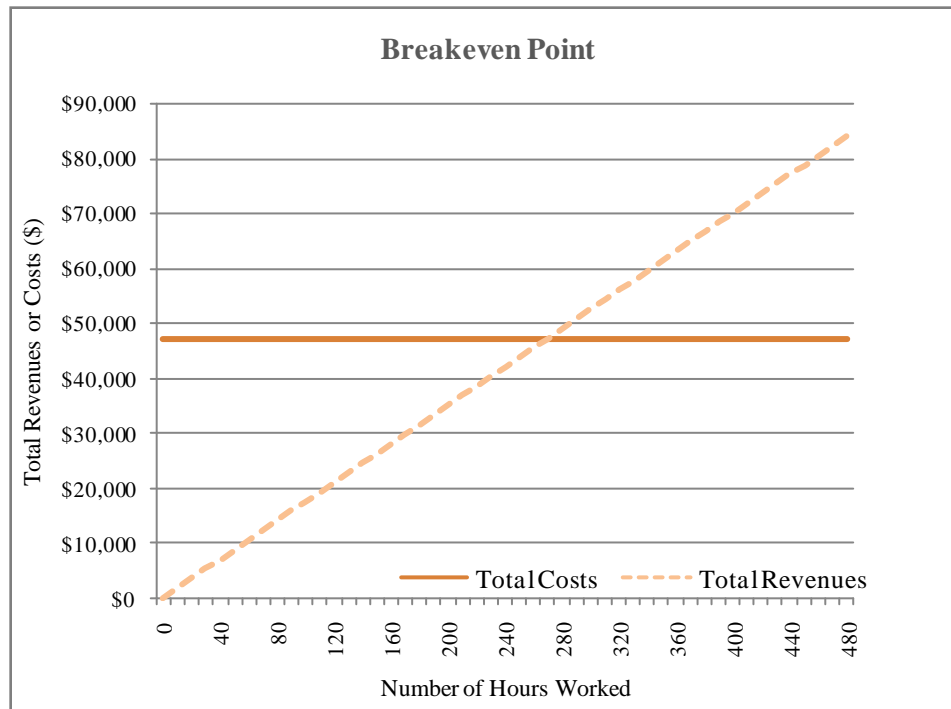


Figure 6. bio.legal LLP's Breakeven Point – 270.28 hours

The breakeven analysis should be used carefully. This business plan will only make sense if the partners received appropriate drawings in the absence of a fixed salary.

9.5 Funding Requirements

The financing for bio.legal LLP's venture will be secured through several sources. Emmanuelle Vallée and Jennifer Begg will provide personal seed money in the amount of \$5,000 each. bio.legal LLP will obtain a bank loan for the remaining \$18,000 required to fund the initial expenses. It was assumed that bio.legal LLP would be able to secure the loan with an interest rate at no more than 5% (prime plus 1%). The credit will be issued in mid-December 2008, to minimize the total accrued interest while there is no revenue.

Sources of Funds	Amount
Emmanuelle Vallée, Partner	\$5,000.00
Jennifer Begg, Partner	\$5,000.00
Long Term Bank Loan	\$18,000.00
TOTAL	\$28,000.00

Table 11. Invested Capital Sources

9.6 Partner's Drawings

According to bio.legal LLP's projections, its partners would be able to receive drawings in the amounts described in Table 12 below. These amounts will be divided equally amongst Emmanuelle Vallée and Jennifer Begg.

2008	2009	2010	2011
\$0	\$140,000	\$340,000	\$440,000

Table 12. bio.legal LLP's Partners' Annual Drawings

10: RISKS

10.1 Risks

Although this proposed venture opportunity for bio.legal LLP appears to offer profitable outcomes to bio.legal LLP and its partners, it is important to lastly note the potential risks inherent to the project. The primary risks have been split into three different categories: (1) Competition Reaction, (2) External Factors and (3) Internal Factors.

10.1.1 Competitors' Reaction

bio.legal LLP does not expect the traditional law firms to react adversely to bio.legal LLP's entry into the market. It is obvious that bio.legal LLP does not intend to replace the traditional law firm's services for the work outside of their clients' day-to-day operations. Instead, it is expected that bio.legal LLP and the traditional law firms will develop mutually beneficial relationships allowing the law firms to allocate their resources where needed and leave the low margin legal work to bio.legal LLP.

bio.legal LLP expects that its services could generate some resistance from existing in-house counsels of bio.legal LLP's clients. Such resistance could be an obstacle to the efficient delivery of bio.legal LLP's services.

10.1.2 Critical External Factors

New Entrants: The recent attention given to bio.legal LLP-like companies already on the market could lead to a surge of legal services providers using the same business

model. bio.legal LLP could face rivalry from those new entrants and have more difficulty in establishing and retaining its market share.

Low demand: In this feasibility report, demand estimates exceed bio.legal LLP's capacity. However, it is possible that demand will turn out to be significantly lower than expected therefore affecting the willingness of bio.legal LLP's partners to continue with this venture.

Recession: A prolonged economic downturn could negatively affect bio.legal LLP's ability to secure work.

Nature of Biotech/Pharma industry: The Biotech/Pharma industry is highly unstable. Mergers, acquisitions, and cessation of activities are frequent outcomes for small to medium biotechnology companies. Even if bio.legal LLP is successful in obtaining long-term commitments from its clients, there is no guarantee that their businesses will remain intact through the term of their agreements with bio.legal LLP.

Client's decision to hire full time in-house counsel: At one point, bio.legal LLP's clients might decide that they should hire a full time in-house counsel instead of using bio.legal LLP's services. Although bio.legal LLP will attempt to retain some work from those clients, it is likely that the hiring of a full time in-house counsel by one client will significantly diminish that client's need for bio.legal LLP's services.

10.1.3 Critical Internal Factors

Ability to respond to demand: If demand for bio.legal LLP's services turns out to be as estimated, bio.legal LLP will have to grow significantly. bio.legal LLP's ability to find

qualified lawyers and to manage growth is likely to affect bio.legal LLP's ability to service its existing clients.

Coverage for partners: With only two partners, bio.legal LLP is exposed to coverage problems during maternity leave, vacation and sick leave.

10.1.4 Dealing with Risks

All of the above-mentioned risks could potentially affect bio.legal's bottom line. bio.legal LLP will remain open minded about servicing early stage companies outside of the Biotech/Pharma industry. By enlarging its potential client pool, bio.legal LLP will have more chance to secure work and will have access to more qualified lawyers for growth.

11: CONCLUSION

bio.legal LLP's implementation plan further confirms that a new venture based on the model described in this business report would be viable and successful. It is estimated that bio.legal LLP will be a profitable business early on in its existence, breaking-even in the fourth month following its inception. bio.legal LLP will offer extremely competitive rates to its clients and drawings to its partners much higher than the national average mid range salaries of in-house legal counsels (Table 7), respectively facilitating the adoption of its services and recruitment of talented lawyers if demand turns out to be as estimated.

APPENDICES

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APPENDIX 1: SURVEY TO POTENTIAL CLIENTS

an alternative to outside legal counsel or full time in-house counsel

1. Demographic Questions (only questions with * are mandatory)

1. What is the name of your company?

* 2. How many employees do you have?

* 3. What were your revenues in 2007?

* 4. What are your expected revenues for 2008?

* 5. How many patents do you hold? How many patents you have filed for?

* 6. How many products do you have under development? How many products do you have on the market?

* 7. Are you a public company?

8. If you answered yes to the previous question, what is your market cap?

* 9. What was your R&D expenditure on external vendors for 2007?

* 10. What is your expected R&D expenditure on external vendors for 2008?

an alternative to outside legal counsel or full time in-house counsel

2. Your in-house legal department

1. Do you have an in-house legal department?

2. If you answered yes to Question #1, how many employees do you have in your legal department?

3. If you answered no to Question #1, who negotiates your day-to-day contracts such as Consulting Agreements, Clinical Trial Agreements, Services Agreements, Confidentiality Agreements, etc? (Please refer to the position title)

4. On a scale of one to five, how would you say that the strength of your day-to-day contracts impact the success of your company?

- 1 - Not important. We just sign the contract presented by the other party or we use a template.
- 2
- 3
- 4
- 5 - Very important. We extensively negotiate each contract depending on the circumstances.

Please briefly explain your choice.

5. If you answered no to Question #1, please comment briefly why you do not have an in-house legal department.

6. If you answered no to Questions #1, do you expect to establish your legal department in the near future? When?

3. Your external legal services provider

1. On average, how much do you spend annually on external legal fees?

2. What are the services that you receive from your external legal counsel?

- Labour
- Securities
- Draft and negotiation of day-to-day contracts (Consulting Agreements, Clinical Trial Agreements, Services Agreements, Confidentiality Agreements, etc.)
- Litigation
- Corporate/commercial
- Real estate
- Intellectual Property
- Financing

Other (please specify)

3. What is your level of satisfaction with respect to the services provided by your external legal counsel?

	Highly dissatisfied	Dissatisfied	Neutral	Satisfied	Highly satisfied
Availability - Responsiveness	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cost	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Expertise	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Knowledge of your industry	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Services provided in line with your company's strategy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ability to anticipate your needs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

4. What do you dislike the most about your external legal services provider?

5. What do you like the most about your external legal services provider?

an alternative to outside legal counsel or full time in-house counsel

4. bio.legal LLP

bio.legal LLP is a company that offers an innovative new way of delivering legal services. Our services are especially tailored to the needs of small to medium sized biotech/pharma companies located in British Columbia. bio.legal LLP can take care of day-to-day operations (contracts, human resources, immigration, securities) at a fraction of the cost of typical legal services providers, such as private law firms or full time employees.

bio.legal LLP is a virtual law firm composed of lawyers who have extensive experience working in the biotech/pharma industry. We offer an alternative or a supplementary service to outside legal counsel or full time in-house counsel. The services can be provided directly at your office or remotely, at your preference. Our services are cost effective, flexible and specialized. With bio.legal LLP, you get the best of both worlds:

- As with in-house counsel, you will have a trusted lawyer who understands your business and provides advice in line with your company's strategy therefore adding value to your business.
- As with outside counsel, you will have a motivated legal team that will treat you and your company as a client, not as an employer.

If your needs do not justify hiring a full time in-house counsel or if you do not find value in paying fees to a traditional law firm for legal services regarding your day-to-day operations, bio.legal LLP is for you. bio.legal LLP will bill hourly, daily or fixed fees, depending on your needs, and you will only pay for the services you get. You will not pay (1) for typical law firm expenses such as luxurious office space, an army of secretaries, receptionists or support staff, training junior lawyers, deadweight senior partner or (2) for typical in-house counsel expenses such as professional liability insurance, benefits, law society membership, CPP & EI deductions, training, vacation, severance.

1. Would you be interested in bio.legal LLP's services:

	Yes	No
On a project basis?	<input type="radio"/>	<input type="radio"/>
On a part time basis?	<input type="radio"/>	<input type="radio"/>
To cover for maternity or sick leave?	<input type="radio"/>	<input type="radio"/>
To manage your outside legal counsel?	<input type="radio"/>	<input type="radio"/>

2. If you answered yes to at least one of the sub-questions in Question #1, how many hours/day per week/month do you think you would require bio.legal LLP's services?

an alternative to outside legal counsel or full time in-house counsel

3. If you answered yes to at least one of the sub-questions in Question #1, which services would interest you the most (you can select more than one answer)?

- Management of Intellectual Property Portfolio
- Negotiation of day-to-day contracts (Clinical Trial Agreements, Services Agreements, Consulting Agreements, Confidentiality Agreements)
- Human resources support (Letter of offer, Employment Agreements, severance, disciplinary measures, immigration/work permits)
- Securities/financing
- Litigation
- Major agreements: Licensing, M&A

Other (please specify)

4. Would you be interested in bio.legal LLP's services to (you can select more than one answer):

- Train your employees on the importance of basic legal concepts: confidentiality, insider trading, ethics, etc.
- Establish your legal department (hire, procedures, templates of standard contracts)?
- Establish a central interactive database for the request, review and storage of your contracts

Other (please specify)

5. If you answered no to all the sub-questions in Question #1, please explain why you would not be interested in bio.legal LLP's services?

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5. Any other comments?

If you would like to receive an abstract of my findings, please insert an email address to receive an electronic copy, or insert a mailing address if you would prefer a hard copy. Please be assured that your contact information will not be associated with your answers.

Please feel free to insert any other comments you may have.

1. Please add any other comments you may have.

APPENDIX 2: SURVEY ANSWERS

	Respondent #1	Respondent #2	Respondent #3	Respondent #4	Respondent #5	Respondent #6
How many employees do you have?	2	5	17	< 10	7	between 10 and 50
What were your revenues in 2007?	\$ -	\$ -	\$ -	\$ -	\$ -	\$1 – 10 million
What are your expected revenues for 2008?	\$ 800,000	\$ -	\$ -	\$ -	\$ -	\$1 – 10 million
How many patents do you hold? How many patents you have filed for?	8	1	Patent pending	6	Over 30, 2 applications	2 and 27
How many products do you have under development?	2	1		2	3	
How many products do you have on the market?	1	0	1	0	0	between 1 and 10
Are you a public company?	No	No	No	No	Yes	Yes
If you answered yes to the previous question, what is your market cap?	n/a	n/a	n/a	n/a	\$7 million	\$50 - 100 million
What was your R&D expenditure on external vendors for 2007?	\$650,000	\$50,000	\$700,000	\$ -	Approx \$3 million	\$12,000,000
What is your expected R&D expenditure on external vendors for 2008?	\$150,000	\$100,000	\$1,500,000	\$100,000	Approx \$2.5 million	\$5,000,000
Do you have an in-house legal department?	No	No	No	No	No	No

	Respondent #1	Respondent #2	Respondent #3	Respondent #4	Respondent #5	Respondent #6
If you answered no to Question #1, who negotiates your day-to-day contracts? (Please refer to the position title)	CEO	Fasken Martineau DuMoulin LLP	VP Corporate Development	CEO	Chief Financial Officer, Chief Executive Officer	[Question not asked]
On a scale of one to five, how would you say that the strength of your day-to-day contracts impact the success of your company?	5 - Very important. We extensively negotiate each contract depending on the circumstances.	5 - Very important. We extensively negotiate each contract depending on the circumstances.	5 - Very important. We extensively negotiate each contract depending on the circumstances.	5 - Very important. We extensively negotiate each contract depending on the circumstances.	5 - Very important. We extensively negotiate each contract depending on the circumstances.	[Question not asked]
Please briefly explain your choice.	IP and all other critical business issues flow from the contracts with contractors suppliers etc	Provide good service		Usually start with template but terms of deal require negotiation. Also important to have a comprehensive contract.	Contracts and Agreements are critical to the success of our operation.	[Question not asked]
If you answered no to Question #1, please comment briefly why you do not have an in-house legal department.	Too expensive	Financial reasons		Cost	Our company is too small to accommodate in house legal.	Expense
If you answered no to Questions #1, do you expect to establish your legal department in the near future? When?	No	After 2-3 years	No	No	No	No - never
On average, how much do you spend annually on external legal fees?	\$ 60,000.00	\$ 20,000.00	\$ 150,000.00	\$50K-\$100K	Approx \$100,000	\$ 250,000.00

	Respondent #1	Respondent #2	Respondent #3	Respondent #4	Respondent #5	Respondent #6
What are the services that you receive from your external legal counsel?						
1. Corporate/ commercial	✓	✓	✓	✓	✓	✓
2. Litigation	✓		✓			✓
3. Real estate	✓					
4. Labour	✓					✓
5. Securities	✓			✓	✓	✓
6. Financing	✓	✓	✓	✓	✓	✓
7. Intellectual Property	✓			✓	✓	
8. Draft and negotiation of day-to-day contracts		✓		✓		
What is your level of satisfaction with respect to the services provided by your external legal counsel?						
1. Availability	Satisfied	Highly satisfied	Highly dissatisfied	Highly satisfied	Highly satisfied	Satisfied
2. Cost	Highly dissatisfied		Satisfied	Dissatisfied	Neutral	Dissatisfied
3. Expertise	Satisfied		Highly dissatisfied	Highly satisfied	Highly satisfied	Highly satisfied
4. Knowledge of your industry	Satisfied		Highly dissatisfied	Satisfied	Highly satisfied	Satisfied
5. Services provided in line with you company's strategy	Highly dissatisfied		Highly dissatisfied	Satisfied	Highly satisfied	Satisfied
6. Ability to anticipate your needs	Highly dissatisfied		Satisfied	Satisfied	Satisfied	Dissatisfied

	Respondent #1	Respondent #2	Respondent #3	Respondent #4	Respondent #5	Respondent #6
What do you dislike the most about your external legal services provider?	Their fees are excessive and based on a strategy to maximize fees not for the ultimate long term benefit of the company			Cost	Cost	Cost
What do you like the most about your external legal services provider?	Quick to respond	Prompt services	Breadth of experience in our field	Expertise	The comprehensive level of services	Expertise
Would you be interested in bio.legal LLP's services:						
1. On a project basis	✓					✓
2. On a part time basis?	✓			✓	✓	✓
3. To cover for maternity or sick leave						
4. To manage you outside legal counsel	✓					
If you answered yes to at least one of the sub-questions in Question #1, how many hours/day per week/month do you think you would require bio.legal LLP's services?	4 [bio.legal LLP assumed 4 days/month]	0	0	1 day a month	[Question not answered]	20 hrs / mo [bio.legal LLP assumed 3 days/month]

	Respondent #1	Respondent #2	Respondent #3	Respondent #4	Respondent #5	Respondent #6
If you answered yes to at least one of the sub-questions in Question #1, which services would interest you the most (you can select more than one answer)?						
1. Negotiation of day-to-day contracts				✓	✓	
2. Human resources support				✓	✓	
3. Securities/financing	✓					✓
4. Litigation	✓					✓
5. Major agreements	✓					✓
6. Management of Intellectual Property Portfolio	✓			✓		
Would you be interested in bio.legal LLP's services to (you can select more than one answer):						
1. Train your employees on the importance of basic legal concepts						✓
2. Establish your legal department					✓	
3. Establish a central interactive database for the request, review and storage of your contracts				✓	✓	

	Respondent #1	Respondent #2	Respondent #3	Respondent #4	Respondent #5	Respondent #6
If you answered no to all the sub-questions in Question #1, please explain why you would not be interested in bio.legal LLP's services?		We have an ongoing contract with Fasken Martineau DuMoulin LLP at this time	We are very pleased with the services we receive today from our law firms.			
Please add any other comments you may have.	Bio legal is a very good idea and my company would support it - only if the lawyers in the group comprise experts in the fields of law needed for the bio tech company					Don't really understand what the difference is between bio.legal's services and retaining a regular, full-service law firm on a time and materials basis. The full service firm has a variety of lawyers, can act as a team, provides the same cost-benefit re lack of overhead of inside counsel, and etc. - need to differentiate the concept better for me to buy into it.

APPENDIX 3: LIST OF BIOTECH/PHARMA COMPANIES

Adnavance Technologies Inc.
Allon Therapeutics Inc.
Angiotech Pharmaceuticals, Inc.
ARC Pharmaceuticals
Augurex Life Sciences Corp.
Biotech Holdings
Cardiome Pharma Corp.
Celator Pharmaceuticals Corp.
Centre for Drug Research and Development
Chemokine Therapeutics Corp.
Chromos Molecular Systems Inc.
Clinotech Diagnostics & Pharmaceuticals Inc
Eastwood Bio-Medical Research Inc.
enGene Inc.
Forbes Medi-Tech Inc.
Heart Force Medical
iCell Therapeutics
iCo Therapeutics Inc.
IND Lifetech Inc.
Indel Therapeutics Inc.
Inflazyme Pharmaceuticals Ltd.
Inimex Pharmaceuticals, Inc.
Link Core Pharma Limited
Med BioGene
Medical Ventures Corp.
Microbion BioSciences Corporation
Microtek International Inc.
Migenix Inc.
MIV Therapeutics Inc.
Neuromed Pharmaceuticals
Novation Pharmaceuticals
Ondine Biopharma Corporation
Pacgen Biopharmaceuticals Corporation
Pacific Therapeutics Ltd.
Panagin Pharmaceuticals Inc
Pegasus Pharmaceuticals Group Inc.
Perceptronix
Pharmanutrients Botanical Corporation
Protox Therapeutics Inc.
Pyng Medical Corp.
QLT Inc.
Response Biomedical Corp.
Sirius Genomics Inc.
Tekmira Pharmaceuticals Corporation
Twinstrand Therapeutics Inc.
WEX Pharmaceuticals Inc.
Xenon Pharmaceuticals Inc.
Zecotek Medical Systems Inc.
Urodynamix Technologies Ltd.
Vancouver Biotech Ltd.
Vifor Aspreva
ViroForce Systems Inc.
Welichem Biotech Inc.

APPENDIX 4: DEMAND ESTIMATES ASSUMPTIONS

Demand Estimates for bio.legal LLP's services depends on two different factors external to bio.legal LLP's: (1) the number of potential clients and (2) the anticipated individual need.

1. The Number of Potential Clients

The number of potential clients was taken from three different sources:

- BC Ministry of Development: 154 Biotech/Pharma Companies (91 biopharmaceuticals and 63 medical devices)
- Life Sciences British Columbia: more than 90 Biotech/Pharma Companies
- List put together by bio.legal LLP: 53 Biotech/Pharma Companies

2. The Anticipated Individual Need

According to the responses to bio.legal LLP's survey, three (3) companies out of six (6) would required eight (8) days of work per month from bio.legal LLP, which translate into an average of 1.33 day per month per company. A fourth respondent said it would use bio.legal LLP's services but did not specify how many hours per month it would require.

APPENDIX 5: SALES FORECAST ASSUMPTIONS

It is estimated that a trial implementation of bio.legal LLP's services in one Biotech/Pharma Company will lead to a stronger adoption of bio.legal LLP's services within that company. According to Mr. Joe Milestone, clients rapidly increase the number of hours they require from Cognition LLP once they realized that Cognition LLP's services actually added value to their businesses at a very low cost (Milestone, 2008). Furthermore, we anticipate that word of mouth will lead to greater adoption throughout the biotech/pharma industry in British Columbia. These two assumptions have been depicted in Table 13. Monthly Sales Forecast for bio.legal LLP's First Three Years, which displays bio.legal LLP's predicted sales from inception (2009) to 2011.

2009				2010				2011			
Month	%	Hours	Value	Month	%	Hours	Value	Month	%	Hours	Value
Jan	20%	57.60	\$ 10,080.00	Jan	66%	190.08	\$ 33,264.00	Jan	80%	230.40	\$ 40,320.00
Feb	24%	73.51	\$ 12,864.73	Feb	66%	200.64	\$ 35,112.00	Feb	80%	243.20	\$ 42,560.00
Mar	28%	99.84	\$ 17,472.00	Mar	66%	232.32	\$ 40,656.00	Mar	80%	281.60	\$ 49,280.00
April	33%	83.32	\$ 14,580.36	April	66%	168.96	\$ 29,568.00	April	80%	204.80	\$ 35,840.00
May	37%	88.15	\$ 15,425.45	May	66%	158.40	\$ 27,720.00	May	80%	192.00	\$ 33,600.00
June	41%	144.00	\$ 25,200.00	June	66%	232.32	\$ 40,656.00	June	80%	281.60	\$ 49,280.00
July	45%	122.65	\$ 21,463.27	July	66%	179.52	\$ 31,416.00	July	80%	217.60	\$ 38,080.00
Aug	49%	118.25	\$ 20,694.55	Aug	66%	158.40	\$ 27,720.00	Aug	80%	192.00	\$ 33,600.00
Sept	53%	179.61	\$ 31,431.27	Sept	66%	221.76	\$ 38,808.00	Sept	80%	268.80	\$ 47,040.00
Oct	58%	193.66	\$ 33,890.18	Oct	66%	221.76	\$ 38,808.00	Oct	80%	268.80	\$ 47,040.00
Nov	62%	197.82	\$ 34,618.18	Nov	66%	211.20	\$ 36,960.00	Nov	80%	256.00	\$ 44,800.00
Dec	66%	232.32	\$ 40,656.00	Dec	66%	232.32	\$ 40,656.00	Dec	80%	281.60	\$ 49,280.00
Total		1590.72	\$ 278,376.00	Total		2407.68	\$ 421,344.00	Total		2918.40	\$ 510,720.00

Table 13. Monthly Sales Forecast for bio.legal LLP's First Three Years

APPENDIX 6: CALENDAR OF PROFESSIONAL DEVELOPMENT

The Law Society of British Columbia requires its members to attend at least 12 hours of continuing legal education annually. The table below displays a calendar of professional development activities that comply with the BC Law Society's requirements and that are extremely relevant to bio.legal LLP's area of expertise. The Life Sciences Industry Roundtables were included to ensure that bio.legal LLP would provide legal and business advices in line with the biotechnology industry's most recent standards.

Conference Title	Dates of Conference	Location	# of days (with travel)	Due Date (Early Bird Payment)	Month Expense Incurred	Cost
Corporate Counsel: Regulatory Advisor, Compliance Officer, Governance Gatekeeper	Apr 5-7, 2009	Mtl	5	06-Mar-09	Mar-09	\$ 1,213
CCCA's 2009 Corporate Counsel World Summit	Jan 26-27, 2009	Van	2	20-Nov-08	Jan-09	\$ 893
Legal Strategies For Business Acquisitions 2009	13-Feb-09	Van	1	16-Jan-09	Jan-09	\$ 445
Solo and Small Firm Conference 2009	22-Jan-09	Van	1	22-Dec-08	Jan-09	\$ 495
Life Sciences Industry Roundtable	3 per year	Van	n/a	n/a	Apr-09 Aug-09 Nov-09	\$ 75
CD Only: Negotiating Clinical Trial Agreements	n/a	n/a	n/a	n/a	Jun-09	\$ 349
			9		Total	\$ 3,469

It was assumed that both partners would attend the same conferences.

APPENDIX 7: BIO.LEGAL LLP'S WORKING DAYS IN 2009

Janvier 2009	
Week days	22
Statutory holidays	1
Vacation	0
Conferences	3
Working days	18

February 2009	
Week days	20
Statutory holidays	0
Vacation	0
Conferences	1
Working days	19

March 2009	
Week days	22
Statutory holidays	0
Vacation	0
Conferences	0
Working days	22

April 2009	
Week days	22
Statutory holidays	1
Vacation	0
Conferences/Travel	5
Working days	16

May 2009	
Week days	21
Statutory holidays	1
Vacation	5
Conferences/Travel	0
Working days	15

June 2009	
Week days	22
Statutory holidays	0
Vacation	0
Conferences/Travel	0
Working days	22

July 2009	
Week days	23
Statutory holidays	1
Vacation	5
Conferences	0
Working days	17

August 2009	
Week days	21
Statutory holidays	1
Vacation	5
Conferences	0
Working days	15

September 2009	
Week days	22
Statutory holidays	1
Vacation	0
Conferences	0
Working days	21

Octobre 2009	
Week days	22
Statutory holidays	1
Vacation	0
Conferences	0
Working days	21

November 2009	
Week days	21
Statutory holidays	1
Vacation	0
Conferences	0
Working days	20

December 2009	
Week days	23
Statutory holidays	1
Vacation	0
Conferences	0
Working days	22

APPENDIX 8: TRANSCRIPT OF INTERVIEW WITH MR. JOE MILESTONE OF COGNITION LLP

Demographic questions

1. **Do your clients come from one specific industry?**
Mostly information technology and telecommunication but also from other industries
2. **What size/kind of company do you serve?**
 - 1) Companies that don't have in-house counsel
 - 2) Supplementary to existing in-house department
3. **What geographic area do you serve?**
Toronto, Ottawa, Waterloo, Kitchener. Have tried to expand to Calgary, but it did not work. Are now looking to expand in Vancouver
4. **How many employees do you have?**
15 to 20 lawyers
5. **When did you start your consulting business?**
Business model was created about 5 years ago. Cognition was founded in April, 2005.

Start-up – Growth

6. **How long did it take before your business became profitable?**
Business was profitable almost right away due to very low overhead (next to nothing)
7. **How fast did you grow?**
From 2 to 20 lawyers in 5 years. Not all lawyers have full time assignment, but most of them do.
8. **Where you do see your company in one (1) year? Five (5) years?**
Want to grow geographically. Use Axiom as model.

Competition

9. **Have you encountered any resistance from employees of your clients while performing your services? Do you think that you would have encountered the same resistance if you had been an employee and not a consultant?**
Not too much – they don't see resistance as a problem.
When they go in, they have the endorsement of the CEO and CFO.
Their lawyers all have previous experience as in-house counsel. They know how to manage transition and changes.
10. **Have you noticed any adverse reaction from the traditional law firms since you have started your business?**
In most cases, Cognition LLP does not show on law firms' radar screen.

Sometimes, they get placed by law firms. They don't do the big transactions, so forward looking law firms know that they won't lose the client.

Cognition LLP is taking a certain amount of market share from law firms, but client's satisfaction ultimately prevails. Thus, the problem remains only until the law firms realize that they will keep enough business.

11. Are you aware of any direct competitors offering the same kind of services in Ontario? In Canada?

In Canada, there is Delegatus but it is more like a small law firm than a corporation based on the new business model.

In the USA, Axiom is a great model of how successful this business can be.

Marketing

12. What has been the best way to market your services?

Grab someone's attention for 5 minutes.

Meet people.

Word of mouth from existing clients.

Setup a booth at different shows and attend every show designed for in-house counsels

13. On average, what is your annual marketing budget?

Approximately \$50,000 this year – shows, travel, materials

Services and rates

14. What are your rates on average?

Same rate for each lawyer - if there is any discrepancy; it is linked to the type of services (corporate/financing or highly specialized)

Hourly: \$200

Daily (for any commitment of 1 ½ days and up per week): \$1,300-\$1,400

Corporate transactions/Specialized work: \$250

They do not charge travel time to go to clients, nor long distances, photocopies or faxes

15. On average, how many hours per week/month does one client require? Have you identified any factor(s) (e.g. revenues, number of products on the market, number of employees, etc.) that directly influence the number of hours that one client requires?

There is no factor that allows determining how many hours a client will require. It is different for each client. Usually, clients start with a small number and then go up over time when they realize the value added and the low cost.

16. Do you train other people (executive, contracts manager, and articling students) to do your job at your client? Within your own business?

Lawyers come fully trained. The most important qualification is past experience as in-house counsel.

17. Do you charge the training cost to your clients?

There is no overlap, and this is something that Cognition LLP clients appreciate compared to law firms.

18. Do you know if your clients have completely stopped using private law firms after you started working with them?

No, they don't. (see reaction from law firms)

Finance and Organization

19. On average, what are your annual expenses? What are the largest items of your expenses?

Very low expenses. They got an office about 1 ½ year ago outside of the main core in Toronto. It's a small office with 4-5 desks that they share with an architect. They use the office to store files and meet. They also hired an administrative assistant 5 to 6 months ago. Cost is negligible, less than \$1,000/month.

20. How much of your time do you spend managing your business and employees compare to working billable hours for clients?

When they started, both partners mostly work on billable hours with not much time spent on marketing. Now, they spend about half of their time on assignment and the other half on marketing Cognition LLP and developing new markets. Soon, they will spend most of their time on marketing.

APPENDIX 9: TRANSCRIPT OF INTERVIEW WITH SAGE BAKER OF FD INTERNATIONAL

21. What does it take to succeed as a consultant?

- Ensuring clients' needs are put first. Billing and profits should not be a priority. If you are doing a good job at servicing your clients properly, profitability will come with it.
- Be proactive and bring value to your clients' businesses.

22. Based on your experience, what are the most important factors that influence one's decision to hire a consultant?

- Prior experience is a key determiner. Clients need to know that you have the ability (qualifications) to take care of their needs.
- Physical location
- Pricing

Marketing

23. What has been the best way to market your services?

- Target clients that have been identified as needing consultant's services. This research is made through public releases, industry profiles, market research, etc.
- Met with executives with a plan to address existing needs.
- Website is good, but clients usually look at website after a first interaction with the consultant.

Competition

24. When you are (were) consulting, are (were) you in direct competition with full time employees? How do you differentiate yourself?

Yes. Differentiate by bringing more to business.

25. Have you encountered any resistance from employees of your clients while performing your services? Do you think that you would have encountered the same resistance if you had been an employee and not a consultant? How do you overcome the resistance?

Yes. You should aid and assist those employees and build a relationship with them. They need to need you as much as the company does. Don't go to the CEO and use the CEO card when there's tension. The CEO needs to buy in, but the "resistant" employees also need to see you as a collaborator.

26. FD International is comparable to a large law firm in that it offers a wide range of services, has offices around the world and has many employees. Do you consider smaller consulting boutiques competition? Would you collaborate with them for smaller matters?

FD International and smaller consulting boutiques do not have the same clients. FD is too expensive for smaller clients. FD sometimes passes smaller files to boutiques when they know that the file will not be profitable. Smaller boutiques will sometime claim that they can manage big files. FD believes that smaller boutiques cannot offer good services to large clients because they don't have enough resources.

Services

27. Do you train other people to do your job with your client? Within your own business?

Both. Always looking at future relationships. In the long term, it makes more sense from business point of view to train people from the consulting organization. However, they have helped clients to set-up full time employees or department, but only because they knew that they would retain some business from it. Always kept long term needs in mind and they will only do it if it makes sense and if future business will come out of that.

28. Do you charge the training costs to your clients? No. FD assumes as cost of doing business.

Finance and Organization

29. How much of your time do you spend managing your business and employees compared to working billable hours for clients?

1/3 business development - 1/3 office management - 1/3 clients. In the future, when her market will be more developed, will spend 70% on clients.

30. When you left Aspreva, did you consider starting another consulting business? If yes, why did you choose to work with FD International?

Yes she did, but looking and anticipating shift in economy, she preferred the stability of being an employee.

Other thoughts

- Should find ways to work with larger law firms – mutually beneficial relationship
- Good niche to play in but revenues stream is uncertain.
- Expand target clients to all early-stage companies. Biotech in BC is a small market. Diversifying services to early-stage companies of other industries would allow for more revenues.

APPENDIX 10: IN-HOUSE COUNSEL REAL COST

Assumptions	
Hours per day	8
Hours per week	40
Hours per year	2080

Basic Salary	
Annual Salary (not including Statutory or optional benefits)	\$ 84,130
Hourly Rate	\$ 40.45

Paid Time Off		
	Days per year	Hours per year
Vacation	10	80
Sick Time	5	40
Statutory Holidays	9	72
Other (personal development, Travel)	9	72
Annual Paid Time Off	33	264

Paid Breaks		
	Hours per day	Hours per year
Paid Breaks	1.5	341

Revised Annual Working Hours		
	Hours	Corresponding Salary
Annual Paid Time Off:	264	\$10,678.04
Annual Daily Breaks	341	\$13,772.24
Total Working Hours	1476	

Revised Hourly Rate: \$57.02

Paid Benefits		
	Annually	Cost per Total Working Hours
Health Insurance	\$5,000.00	\$3.39
Parking	\$474.00	\$0.32
Annual Bonus	\$5,000.00	\$3.39
Professional Membership	\$3,716.88	\$2.52
Stock Options	\$38,000.00	\$25.75
Blackberry/Cell Phone	\$4,000.00	\$2.71
Computer	\$699.99	\$0.47
Professional Development	\$1,636.75	\$1.11
Severance	\$14,021.67	\$9.50
Total Benefits	\$72,549.29	\$49.17

Revised Hourly Rate: \$106.19

Revised Annual Salary: \$220,869.48

Assumptions:

1. Base Salary and Stock Options value were taken from the Canadian Lawyer Magazine's annual corporate counsel survey (McMahon, Annual Corporate Counsel Survey, 2006);
2. Annual Bonus of \$22,290 according to McMahon was reduced to \$5,000 because evaluated to be more accurate;
3. Value of office space was omitted because bio.legal LLP is likely to work on site as well;
4. Costs of parking, professional membership, computer, Blackberry/Cell phone and professional development were included because bio.legal LLP assume these costs for its partners without any charge back to clients;
5. Hiring costs were omitted because similar costs will be incurred in selecting bio.legal LLP; and
6. Severance package was averaged to two months of base salary.

APPENDIX 11: LIST OF EQUIPMENT REQUIRED PER PARTNER

Furniture	Computer & Equipment
Bow-Front Desk	Laptop
Right-Hand Corner Desk	External Hard Drive
Hutch	USB Key
Lateral File	Printer all in one
Chair	Motorola Headset
Garbage	Shredder
Dry Erase Board	Blackberry

APPENDIX 12: IMPLEMENTATION TIMELINE

Task	2008												2009											
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
bio.legal LLP Start-Up and Relationships																								
Partnership Agreement negotiated and signed																								
Finalize partners funding																								
Open bank account																								
Obtain authorization from Law Society of British Columbia																								
Obtain approval on partnership name																								
Registration of partnership with BC government																								
Register for PST and GST																								
Obtain business license from city of Vancouver																								
Finalize bank loan																								
Annual membership with Law Society of BC																								
Membership with Life Sciences BC																								
Partners' Home Office Setup																								
All equipment bought and tested, warranties returned																								
Stationery and office supplies ordered and delivered																								
Office Insurance																								
Phone, internet and fax connected																								
Billing procedures in place including software																								
Accounting system in place																								
All necessary computer software installed, tested																								
Filing systems established physically and procedurally																								
Training of New Look Business Centre complete																								
All office forms printed																								
Establishing Marketing Strategies																								
Reserve domain name																								
Design and launch website																								
Design and print marketing brochures																								
Launch unofficial marketing campaign																								
Establish Relationships with local law firms active in the biotechnology industry																								
Design template of PPT presentation for initial meeting with clients																								
Identify potential clients most likely to require bio.legal LLP's services																								
Launch official marketing campaign																								
bio.legal LLP's Sales																								
Services begin																								
bio.legal LLP's First Revenues																								
Sales Break-even Point																								

APPENDIX 13: FINANCIAL ASSUMPTIONS

Accounts Receivable

Consulting fees will be invoiced monthly and accounts will be 30 days net. For the purpose of cash flow projection, monthly sales (consulting service fees) will be recorded as revenues one month after invoice has been issued (e.g. work performed in March, invoice issued in April, revenues recorded in May). This means that for any given period, bio.legal LLP will carry forward the last two months of such period.

Accounts Payable

No accounts payable will be carried forward.

Bad Debt

bio.legal LLP has attributed one per cent (1%) of the total revenues to bad debt and deducted such amount from the revenues.

Bank charges, Loan Repayment and Interests

Bank charges are anticipated to be the same amount each month and paid for in the month the expense is incurred. Principal amount payable on loan is the same each month (\$300 starting in January 2009). Interest will be paid monthly in accordance with the schedule in Table 14 below.

	2008	2009	2010	2011	2012	2013
Jan	\$ -	\$ 75.00	\$ 60.00	\$ 45.00	\$ 30.00	\$ 15.00
Feb	\$ -	\$ 73.75	\$ 58.75	\$ 43.75	\$ 28.75	\$ 13.75
March	\$ -	\$ 72.50	\$ 57.50	\$ 42.50	\$ 27.50	\$ 12.50
April	\$ -	\$ 71.25	\$ 56.25	\$ 41.25	\$ 26.25	\$ 11.25
May	\$ -	\$ 70.00	\$ 55.00	\$ 40.00	\$ 25.00	\$ 10.00
June	\$ -	\$ 68.75	\$ 53.75	\$ 38.75	\$ 23.75	\$ 8.75
July	\$ -	\$ 67.50	\$ 52.50	\$ 37.50	\$ 22.50	\$ 7.50
Aug	\$ -	\$ 66.25	\$ 51.25	\$ 36.25	\$ 21.25	\$ 6.25
Sept	\$ -	\$ 65.00	\$ 50.00	\$ 35.00	\$ 20.00	\$ 500.00
Oct	\$ -	\$ 63.75	\$ 48.75	\$ 33.75	\$ 18.75	\$ 3.75
Nov	\$ -	\$ 62.50	\$ 47.50	\$ 32.50	\$ 17.50	\$ 2.50
Dec	\$ -	\$ 61.25	\$ 46.25	\$ 31.25	\$ 16.25	\$ 1.25
	\$ -	\$ 817.50	\$ 637.50	\$ 457.50	\$ 277.50	\$ 592.50

Table 14. Monthly Interest Payment

bio.legal LLP's Rates

It was assumed that there would be no increase in bio.legal LLP's rates over the first three years.

Capacity

bio.legal LLP's capacity is 2,918 hours per year or 1,459 hours per partner.

Capital Expenditures

Furniture, Computer & Equipment	
Furniture	\$ 4,778.97
Computers	\$ 1,469.98
Other Electronic Equipment	\$ 2,291.48
Total:	\$ 8,540.42

Table 15. Capital Expenditures

Capital expenditures on furniture, computers and equipment are required to start providing the services. The furniture, computers and equipment have a useful life of 5 years.

Continuing Legal Education

Conferences fees have been calculated using the early bird fees and incurred in the period during which the early bird fee is available. It was assumed that both partners would attend the conferences listed in Appendix 6: Calendar of Professional Development.

Cost of Goods Sold

Cost of Goods Sold (COGS) for a service provider is equal to the direct labour required to perform the services. Since partners in a partnership like bio.legal LLP are not entitled to a fixed salary, there are no COGS in the income statement of bio.legal LLP.

Depreciation

Capital assets were depreciated using a straight-line method over the useful life of the assets: 5 years for the furniture, the computers and the other electronic equipment.

Income Tax, PST and GST

As a partnership, bio.legal LLP is not a taxable entity. The revenues will be split amongst the partners and only the partners will pay taxes on their respective portion. bio.legal LLP will have to pay GST, but will not carry any GST account forward.

Inflation

An inflation rate of 6% was applied to all operating expenses. The inflation rate was not applied to bio.legal LLP's rates.

Partner Drawings

As the partners of bio.legal LLP do not get a fixed salary, drawings will be the partners' only source of income. It has been assumed that partners will get drawings every year in

substantial amounts payable quarterly starting from the third quarter of 2009. The amounts proposed are subject to change and drawings will not be made or will be made in smaller amounts if bio.legal LLP does not have enough liquidity to assume its financial obligations in subsequent periods.

Partnership's financial statements

bio.legal LLP will prepare income statements that do not include Cost of Goods Sold or partners' salaries as expenses. However, the balance sheets will include equity accounts analogous to Paid-In Capital and Retained Earnings.

Professional Fees

Start-up and accounting fees will be higher in the "pre-activity" phase. It was assumed that the fees of registration of bio.legal LLP would not be included in the accounting fees. Once activity begins, professional fees will be paid to an accountant to maintain financial records.

Sales Revenue

The income is based on the overall sales forecast described in Appendix 5: Sales Forecast Assumptions.

Rent

bio.legal will not pay rent. Partners will work from their respective homes or directly at their client's premises.

APPENDIX 14: FINANCIAL PROJECTIONS

PROJECTED INCOME STATEMENT																	
bio.legal LLP																	
	2008		Q1		Q2		Q3		Q4		2009		2010		2011		
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	
Revenue (Sales)																	
Legal Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Less Bad Debt)	-	-	(404)	-1.0	(552)	-1.0	(736)	-1.0	(1,092)	-1.0	(2,784)	-1.0	(4,213)	-1.0	(5,107)	-1.0	-1.0
Total Revenue (Sales)	-	-	40,013	100.0	54,654	100.0	72,853	100.0	108,073	100.0	275,592	100.0	417,131	100.0	505,613	100.0	100.0
Cost of Sales																	
Legal Services	-	-	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	0.0
Total Cost of Sales	-	-	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	0.0
Gross Profit	-	-	40,013	100.0	54,654	100.0	72,853	100.0	108,073	100.0	275,592	100.0	417,131	100.0	505,613	100.0	100.0
Operating Expenses																	
Startup expenses	3,891	-	-	0.0	-	-	0.0	-	-	0.0	-	0.0	-	0.0	-	0.0	0.0
Depreciation professional	-	-	1,958	4.9	1,958	3.6	1,958	2.7	1,958	1.8	0	0.0	0	0.0	0	0.0	0.0
Depreciation on furniture and equipment	-	-	427	1.1	427	0.8	427	0.6	427	0.4	1,708	0.6	1,708	0.4	1,708	0.3	0.3
Website	-	-	60	0.1	60	0.1	60	0.1	60	0.1	239	0.1	254	0.1	269	0.1	0.1
Supplies	-	-	951	2.4	951	1.7	951	1.3	951	0.9	3,804	1.4	4,033	1.0	4,274	0.8	0.8
Utilities	-	-	2,878	7.2	2,878	5.3	2,878	4.0	2,878	2.7	11,512	4.2	12,202	2.9	12,934	2.6	2.6
Home based business	-	-	300	0.7	300	0.5	300	0.4	300	0.3	1,200	0.4	1,272	0.3	1,348	0.3	0.3
Practice Management	-	-	594	1.5	594	1.1	594	0.8	594	0.5	2,376	0.9	2,519	0.6	2,670	0.5	0.5
Banking & Accounting	-	-	1,044	2.6	1,044	1.9	1,044	1.4	1,544	1.4	4,676	1.7	4,741	1.1	4,809	1.0	1.0
Professional	-	-	2,426	6.1	748	1.4	50	0.1	50	0.0	3,274	1.2	3,470	0.8	3,678	0.7	0.7
Advertising and	-	-	4,041	10.1	891	1.6	891	1.2	891	0.8	6,716	2.4	7,119	1.7	7,546	1.5	1.5
Travel Expenses	-	-	417	1.0	2,417	4.4	2,417	3.3	417	0.4	5,668	2.1	6,008	1.4	6,369	1.3	1.3
Total Operating	3,891	-	15,096	37.7	12,269	22.4	11,571	15.9	10,071	9.3	41,173	14.9	43,325	10.4	45,606	9.0	9.0
EBIT (income from	(3,891)	-	24,916	144.0	42,385	169.9	61,282	196.9	98,002	314.9	234,419	85.1	373,806	89.6	460,007	91.0	91.0
Interest Expense																	
Interests on Loan	-	-	221	1.3	210	0.8	199	0.6	188	0.6	818	0.3	638	0.2	458	0.1	0.1
Total Interest	-	-	221	1.3	210	0.8	199	0.6	188	0.6	818	0.3	638	0.2	458	0.1	0.1
EBT	(3,891)	-	24,695	143	42,175	169	61,084	196	97,814	314	233,602	84.8	373,168	89.5	459,550	90.9	90.9
Net Income	(3,891)	-	24,695	143	42,175	169	61,084	196	97,814	314	233,602	84.8	373,168	89.5	459,550	90.9	90.9

PROJECTED BALANCE SHEET
bio.legal LLP

	31-Dec-08	31-Mar-09	30-Jun-09	30-Sep-09	31-Dec-09	31-Dec-10	31-Dec-11
ASSETS							
<u>Current Assets</u>							
Cash in bank	\$ 15,569	\$ 3,579	\$ 36,951	\$ 28,020	\$ 24,171	\$ 53,106	\$ 54,300
Account Receivable	-	30,337	40,625	52,126	75,274	77,616	94,080
Professional Membership	-	7,834	7,834	7,834	7,834	-	-
(Less accumulated depreciation)	-	(1,958)	(3,917)	(5,875)	(7,834)	-	-
Other	3,891	3,891	3,891	3,891	3,891	3,891	3,891
Total current assets	\$ 19,460	\$ 43,682	\$ 85,384	\$ 85,994	\$ 103,336	\$ 134,612	\$ 152,270
<u>Fixed Assets</u>							
Equipment	\$ 3,761	\$ 3,761	\$ 3,761	\$ 3,761	\$ 3,761	\$ 3,761	\$ 3,761
(Less accumulated depreciation)	-	(188)	(376)	(564)	(752)	(1,505)	(2,257)
Furniture & Fixtures	4,779	4,779	4,779	4,779	4,779	4,779	4,779
(Less accumulated depreciation)	-	(239)	(478)	(717)	(956)	(1,912)	(2,867)
Other	-	-	-	-	-	-	-
Total fixed assets	\$ 8,540	\$ 8,113	\$ 7,686	\$ 7,259	\$ 6,832	\$ 5,124	\$ 3,416
Total assets	\$ 28,000	\$ 51,795	\$ 93,070	\$ 93,254	\$ 110,168	\$ 139,737	\$ 155,686
LIABILITIES & NET WORTH							
<u>Current liabilities</u>							
Bank indebtedness (line of credit)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current portion long-term debt	3,600	3,600	3,600	3,600	3,600	3,600	3,600
Other current liabilities (specify)	-	-	-	-	-	-	-
Total current liabilities	\$ 3,600	\$ 3,600	\$ 3,600	\$ 3,600	\$ 3,600	\$ 3,600	\$ 3,600
<u>Long-term liabilities</u>							
Bank loans payable (greater than 12 months)	\$ 18,000	\$ 17,100	\$ 16,200	\$ 15,300	\$ 14,400	\$ 10,800	\$ 7,200
(Less: Short-term portion)	(3,600)	(3,600)	(3,600)	(3,600)	(3,600)	(3,600)	(3,600)
Total long-term liabilities	\$ 14,400	\$ 13,500	\$ 12,600	\$ 11,700	\$ 10,800	\$ 7,200	\$ 3,600
Total liabilities	\$ 18,000	\$ 17,100	\$ 16,200	\$ 15,300	\$ 14,400	\$ 10,800	\$ 7,200
<u>Owners' Equity</u>							
Invested capital	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Retained earnings - beginning	-	-	24,695	66,870	67,954	85,768	118,937
Retained earnings - current	-	24,695	42,175	61,084	97,814	373,168	459,550
(Less drawings)	-	-	-	(60,000)	(80,000)	(340,000)	(440,000)
Owners' equity (net worth)	\$ 10,000	\$ 34,695	\$ 76,870	\$ 77,954	\$ 95,768	\$ 128,937	\$ 148,486
Total liabilities & Net worth	\$ 28,000	\$ 51,795	\$ 93,070	\$ 93,254	\$ 110,168	\$ 139,737	\$ 155,686

PROJECTED CASH FLOW
bio.legal LLP

	2008	Q1	Q2	Q3	Q4	2009	2010	2011
Cash at beginning of activities	-	15,569	3,579	36,951	28,020	15,569	24,171	53,106
Cash flows from operating activities								
Net income	(3,891)	24,695	42,175	61,084	97,814	233,602	373,168	459,550
Depreciation add back	-	2,385	2,385	2,385	2,385	1,708	1,708	1,708
Inventory	-	-	-	-	-	-	-	-
Account Receivable	-	(30,337)	(10,289)	(11,500)	(23,148)	(75,274)	(2,342)	(16,464)
Other purchases	-	(7,834)	-	-	-	(7,834)	-	-
Net cash provided (used) by operating activities	(3,891)	(11,090)	34,272	51,969	77,052	152,202	372,535	444,794
Cash flows from investing activities								
Cash paid for purchase of capital assets	(3,761)	-	-	-	-	-	-	-
Other	(4,779)	-	-	-	-	-	-	-
Net cash provided (used) by investing activities	(8,540)	-	-	-	-	-	-	-
Cash flows from financing activities								
Cash received from issuing stock	10,000	-	-	-	-	-	-	-
Cash received from long-term borrowings	18,000	-	-	-	-	-	-	-
Cash paid to retire long-term debt	-	(900)	(900)	(900)	(900)	(3,600)	(3,600)	(3,600)
Cash paid to drawings	-	-	-	(60,000)	(80,000)	(140,000)	(340,000)	(440,000)
Net cash provided (used) in financing activities	28,000	(900)	(900)	(60,900)	(80,900)	(143,600)	(343,600)	(443,600)
Increase (decrease) in cash during the period	15,569	(11,990)	33,372	(8,931)	(3,848)	8,602	28,935	1,194
Cash balance at the end of the period	15,569	3,579	36,951	28,020	24,171	24,171	53,106	54,300