



Five Worst Legal Blunders of Start-Up Companies

Cognition LLP Offers Free Legal Consults to Entrepreneurs

TORONTO (May 31, 2010) – Cognition LLP is shaking up the legal market again by offering free legal consultations to entrepreneurs.

“Start-up companies typically can’t afford their own in-house counsel, nor can they spend a lot on outside legal services, with the result that they try to handle this work themselves. That’s when they get into trouble and miss valuable opportunities in their contracts and structuring,” notes Cognition partner Rubsun Ho.

“So we thought we’d help them out,” adds co-founder Joe Milstone. “If we get them as clients later, that’s a bonus. But for now, we’re just happy if we can improve their odds.”

According to Statistics Canada, only one third of small businesses survive over five years.

What are some of the worst legal mistakes that start-ups and growth companies make? Through its network of 20 lawyers, Cognition has rescued clients from some really bad blunders. The top five are:

- Doling out equity without documentation or proper thought.
- Not having a solid shareholders’ agreement, leading to messy conflicts down the road.
- Hiring employees and contractors on a handshake, exposing the company to unnecessary termination risk and disputes over intellectual property.
- Entering into major agreements with suppliers, customers and distribution partners without thinking through the terms or implications, including what’s not in the agreements but should be.
- Blindly adopting others’ precedents and policies for their own use, assuming that “one size fits all” businesses and situations.

To be closer and more accessible to entrepreneurs, Cognition has taken up residence at MaRS, a Toronto-based innovation centre, in association with Ogilvy Renault.

Entrepreneurs can drop in or make an appointment for no-cost legal consultations during the hours of 1 p.m. to 4 p.m. every Tuesday at Cognition's MaRS office at 101 College Street, Suite 140.

Cognition is no newcomer to doing things differently. As an entrepreneurial venture in itself, its lawyers work largely from their own homes or onsite with clients. This 'virtual' approach has allowed the firm to dramatically trim costs and thereby hold its fees to about half of what the traditional legal establishments charge.

Cognition also pioneered the alternative legal services model of providing start-up and growth businesses with their own dedicated in-house counsel on an outsourced basis.

"We do a lot of work for smaller, younger companies, so we're familiar with their issues. We help them avoid the pitfalls, and often we can provide other value-added services for which we charge nothing," says Ho.

For example, because of its network of contacts and experience, Cognition has been known to help start-up companies find venture capital and even new customers.

"It doesn't surprise me that Cognition is offering free legal advice," says Nussar Ahmad, President of AddictiveMobility, a client of the firm and of MaRS. "That's just who they are. They got us over the early legal hurdles, and because they really wanted us to succeed, they leveraged other business opportunities for us as well."

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For more information or to book a consultation, please contact:

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