EXCERPTS OF RECENT MEDIA COVERAGE

# TECHNOLOGY & LIFE SCIENCES PRACTICE

## A SAMPLING OF BDO THOUGHT LEADERSHIP IN THE MEDIA FOR Q4 2014

### FIERCEBIOTECH

#### BIOTECHS TAP A SWELLING TIDE OF INVESTMENT CASH TO FUND GROWING R&D OPS

By John Carrol

Biotech R&D is on a roll. For the third year in a row, the life sciences group at BDO has tracked a spike in R&D spending at a wide swath of public biotechs in the U.S. For drug developers with $50 million to $300 million in revenue, research budgets swelled 28%--to an average of $137 million--last year...

In order to get a clear look at a representative group of middle-market biotechs, BDO excluded the really big players with revenue over $300 million from their index.

This is a market, though, that favors the strong and disadvantages the weak. The smaller--under $50 million companies in the bunch--posted a slight decline in research spending last year, says BDO. Looked at as a whole, the average R&D budget hit $56.5 million in 2013, up from $49.5 million in 2012 and $44 million in 2011.

"What was good to see was the consistency; the continued growth in the industry and the investment in the science," says **BDO life sciences group leader Ryan Starkes**. The key to this trend, he says, is "the overall ability for companies to access the capital markets, to get that investment."

### SEPERATIONSNOW.COM

#### BIOTECH R&D SPENDING CONTINUES TO INCREASE

By Jon Evans

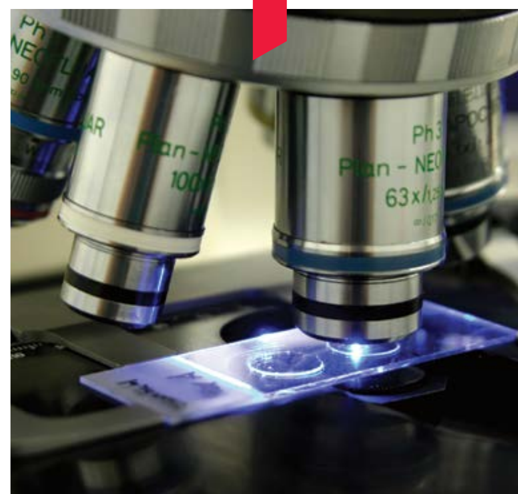
R&D spending by biotechnology companies continued rising in 2013, says a new report.

According to the 2014 BDO Biotech Briefing, average R&D spend by biotechnology companies increased by 5% to $56.5 million in 2013, up from $54 million in 2012. The annual revenues of biotechnology companies increased as well, by an average of 11%. However, large companies (with revenue of over $50 million) fuelled this growth, seeing their revenue increase by an average of 28%, while smaller companies experienced an average decline in revenue. Employee numbers also fell slightly, with the average company having 218 employees, down from 223 in 2012.

Most biotechnology companies continued to make losses, with 86% of companies reporting losses in 2013. This is actually slightly less than last year, but the losses were generally larger, reflecting greater expenditure; companies reported an average loss of $65 million, up from $50 million in 2012.

'Biotech continues to be an industry to watch,' said Ryan Starkes, partner and leader of the Life Sciences Practice at BDO.

Read more



BDO has been a valued business advisor to technology and life sciences companies for 100 years. The Technology & Life Sciences practice of BDO works with a wide variety of clients, ranging from multinational Fortune 500 corporations to more entrepreneurial businesses, providing a myriad of accounting, tax, consulting and other financial services.

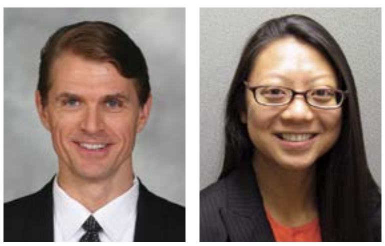
'R&D spending is on the rise as biotechs look to leverage cash reserves and capitalize on accelerated timelines and increased approvals from the FDA.'

The 2014 BDO Biotech Briefing covers companies listed on the NASDAQ Biotechnology Index with sales below $300 million a year.

## PHARMACEUTICAL COMPLIANCE MONITOR

### HOW COMPLIANCE OFFICERS ARE ADDING TO THE BOTTOM LINE: RESEARCH TAX CREDITS AND RECENT DEVELOPMENTS

By Chris Bard & Chai Hoang



Last year, pharmaceutical and life sciences ("PLS") companies reported more than an estimated $2 billion in federal and state tax credits for conducting research. Dollar-for-dollar offsets against tax liability, the credits are helping these companies increase their cash flow and earnings per share, as well as reduce their effective tax rate. And while it's not their primary responsibility, many PLS compliance officers are helping identify and support qualified activities, aided by recent developments in the research-credit area...

**Research Tax Credits: An Overview**
PLS companies that attempt to develop new or improved products, manufacturing processes, software, techniques, inventions, and formulae are eligible for federal and state tax credits up to as much as 15 percent of "qualified research expenses" (QREs).

Generally, QREs include taxable wages paid to employees and a percentage of expenses paid to contractors who undertake these efforts, as well as the cost of supplies used in the research.

For PLS companies, QREs typically include pre-clinical and clinical expenses, as well as some post-clinical expenses, for product and process initiatives in biology, pharmacology, chemistry, drug metabolism, pharma development, analytical chemistry, pharma tech, drug safety, biostatistics, clinical R&D, medical services, and medical affairs. In addition, some expenses incurred by drug surveillance and regulatory affairs departments can qualify (e.g., if they directly support qualified research). Activities don't have to succeed to qualify, and the nature of the activities—not the background of the people performing them—determines whether they qualify...

**How Compliance Is Helping With Research Credits**
Due to its involvement in monitoring and reporting on the activities of business units throughout all areas and functions of a PLS company, the compliance department is often well positioned to help identify, document and support qualified activities and QREs, even if it's just helping other departments do so...

**A Simplified Way To Claim The Credit Expanded**
There are two general ways to calculate the research credit: Regular and Alternative Simplified. Sometimes the Regular Credit is larger than the Alternative Simplified Credit (ASC); other times, it's smaller. Sometimes one is zero, and the other is significant.

Therefore, it is important to calculate the credit both ways to effectively factor the size of the credit into the decision about which one to report. Another factor that should be considered: The Regular Credit sometimes requires that its calculation include gross receipts and QREs from tax years 1984 through 1988, whereas the ASC, as its name implies, is a "simplified" method that requires only QREs for the current tax year and three prior tax years...

The R&D tax credit is a great opportunity for PLS companies, one that many compliance officers are helping to realize. Before reporting the research credit, please consult with a tax professional with expertise in the area.


## CONTACT:

**TIM CLACKETT**
Los Angeles
310-557-8201 / tclackett@bdo.com

**SLADE FESTER**
Silicon Valley
408-352-1951 / sfester@bdo.com

**HANK GALLIGAN**
Boston
617-422-7521 / hgalligan@bdo.com

**PAUL HEISELMANN**
Chicago
312-233-1876 / pheiselmann@bdo.com

**AFTAB JAMIL**
Silicon Valley
408-352-1999 / ajamil@bdo.com

**RYAN STARKES**
Woodbridge
732-734-1011 / rstarkes@bdo.com

**DAVID YASUKOCHI**
Orange County
714-913-2597 / dyasukochi@bdo.com