

3017 St. Clair Avenue
Suite 500
Burlington, ON
L7N 3P5



Phone: (905) 631-5600
Fax: (905) 631-0698
meuk@meuk.net
www.meuk.net

SR&ED Newsletter **Edition 2009-3**

Welcome to the third 2009 edition of our newsletter regarding recent developments to Scientific Research and Experimental Development (SR&ED) project management and tax credit claims.

Factoring SR&ED credits	2
Selected SR&ED funding / factoring agents in the Golden Horseshoe area.....	2
6 W's of factoring SR&ED credits	3
What is factoring?.....	3
When to consider it?	3
Who to use?	3
Where does the money go?.....	3
Why (or why not) to factor?	3
How to start the process?.....	3
Considerations for SR&ED claim preparers	3
Level of involvement.....	3
Quicker payment.....	3
Referral fees.....	3

Factoring SR&ED credits

The past year has an economic downturn which we have found has increased the number of requests for claimants to explore new methods of getting their SR&ED funds as early as possible.

Selected SR&ED funding / factoring agents in the Golden Horseshoe area

Notable quote:

“The pessimist complains about the wind; the optimist expects it to change; the realist adjusts the sails.”

- William Arthur Ward

<u>Comparative Factor</u>	<u>Goldeye</u>	<u>TCE</u>	<u>New Solutions</u>	<u>Triumph</u>
Initial Fees:	\$3,000	0.7% of funding + legal (\$2,000)	1% of funding upon acceptance of Commitment Letter	\$0
Monthly fees:	N/A (Factor fee)	2-2.25%	3%	3%
Minimum fee:	10%	6%	4%	12%
Minimum funding:	\$100,000	\$250,000	\$100,000	\$70,000
% advanced up to:	70%	70%		75%
Submitted Claims			65%	
Approved Claims			90%	
Repayment if claim fails:	No	Yes	Yes	Yes
Typical approval time:	7-14 days	5-7 days	3-10 days	10 days
Established:	2007	1992	1999	2009
Industries served:	All	All	All	All
# claims financed to date:	DND	>100	>25	<100
Personal guarantees req'd:	No	Yes	Yes	None if due diligence completed
Restrictions:	No start-ups	None	Trustee required if Initial SR&ED	None
Website:	goldeyecapital.com	tcecapital.com	newsolcapital.com	triumphrci.com
Contact person:	Dan Gregory dangregory@goldeyecapital.com 416.709.9266	Glen Dalzell gdalzell@tcecapital.com 416-496-7065	Patrick Wieland pwieland@newsolcapital.com 905-279-1355	Darlene Sarmiento darlene.sarmiento@triumphrci.com 905-352-2990

6 W's of factoring SR&ED credits

What is factoring?

Factoring is basically selling any amounts receivable (in this case the SR&ED credits) to a third party for funding today.

When to consider it?

The typical time to receive a refund of Federal and Ontario credits can range from 30-240 days. Often clients with great new products can get tremendous returns on investment if they can get funding at an early stage of their growth.

Who to use?

The chart on the previous page illustrates what the author believes to be the major funding parties for SR&ED credits in the Southern Ontario region and the comparative factors most relevant to choosing the supplier which best meets the borrowers needs.

Where does the money go?

Typically these firms will advance funding but require the actual refunds (from the CRA and the provinces) to be assigned to them. Once the money is received they tend to pay the companies any amounts due after recovering their fees.

Why (or why not) to factor?

To many companies the cost of factoring may seem excessive however, to those with presold products or significant profit potential these costs of borrowing may be easily justified.

How to start the process?

The funding applications are typically filled out online, via fax or email.

These funding parties typically have their own technical and financial teams which will consider;

- the history of prior claim success &
- the merits of the current claims

They may also consider the merits of the products or services developed as a **basis for further funding!**

Considerations for SR&ED claim preparers

Level of involvement

SR&ED claim preparers can become an integral part of this process including such functions as:

- Explaining the preparation process and rationale for positions taken on significant issues &
- Referrals of the funding parties

Quicker payment

Many SR&ED claim preparers work on a "contingency fees" basis meaning:

- they receive a % of their clients SR&ED credits &
- they do not get paid until their clients get their money.

Most of these "funding" firms are willing to contemplate payout of the consultants portion of these fees once any funding is approved.

Referral fees

Some of the parties will pay an SR&ED consultant fees for pre-qualification and referral of qualified borrowers.

Others will consider a reduction of their fee for the involvement of SR&ED claim preparers who's clients have a proven track history with their firm.

Author's commentary

In the author's opinion these SR&ED factoring agents represent a valuable source of "fast cash" which can be a "necessarily lifeline" to a fast growing, technology based firm.

Notable quote:

"The most important thing in communication is to hear what isn't being said."

- Peter Drucker

Questions or feedback

We welcome your questions or feedback on any issues raised in this letter.

We also encourage interested parties to examine:

- past SR&ED newsletters &
- our SR&ED tax guide [the Guide to R&D Base],

all of which are designed to simplify the SR&ED tax credit claims. These are available from our website at,

www.meuk.net

- For an overview of our “R&D Base” software &
- additional tutorials defining eligible SR&ED activities,

please go to:

www.rdbase.net

Terms of use

Although we endeavor to ensure accurate and timely information throughout this letter, it is not intended to be a definitive analysis of the legislation, nor a substitute for professional advice. Before implementing decisions based on this information, readers are encouraged to seek professional advice, in order to clarify how any issues discussed herein, may relate to their specific situations.

This document may be reproduced and distributed freely as long as it acknowledges MEUK Corporation as the original author.

© 2009 MEUK Corporation

