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BOARD OF TRADE

*Spirit of Success.*

SHOW  
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MONEY

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**JOHN** JOHN GOLDSTEIN *PROFESSIONAL PHOTOGRAPHY  
AND VIDEO PRODUCTION*

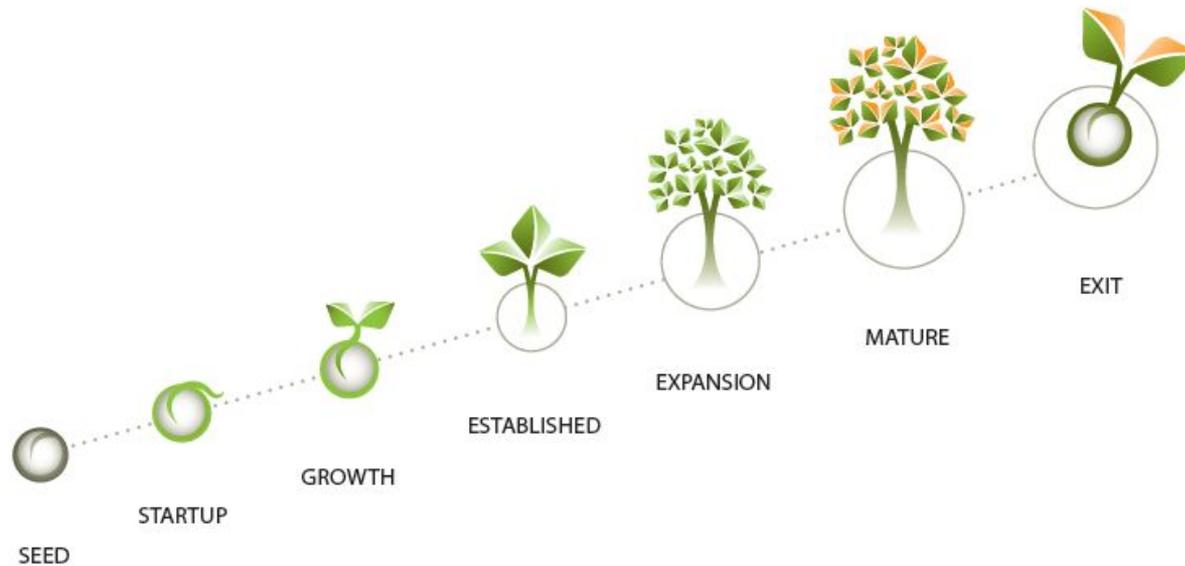
SHOW  
ME THE  
MONEY 3

# Presentation Overview

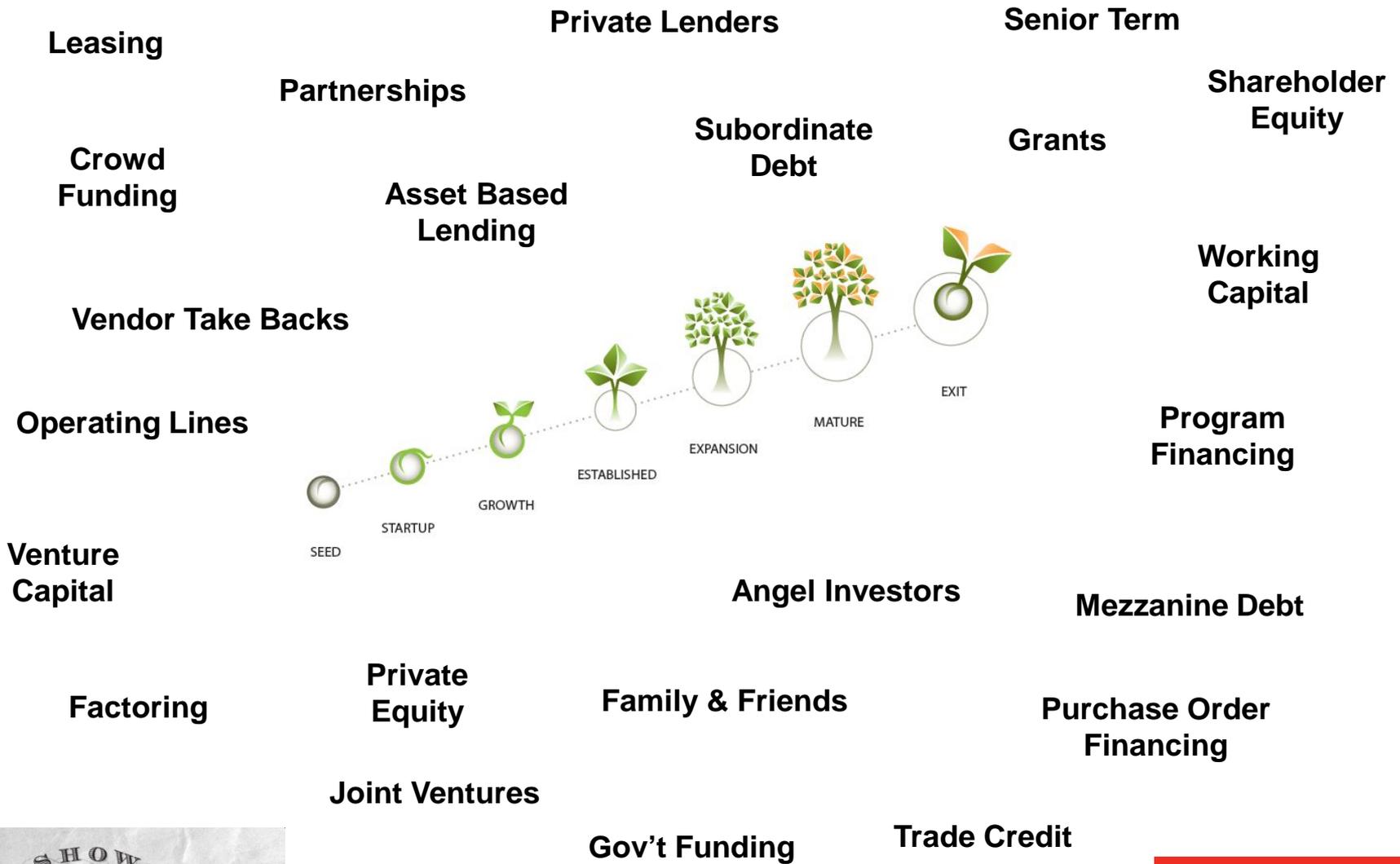
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## Business Lifecycle Lending

# Typical Stages of the Business Lifecycle



# Financing at Different Stages of the Lifecycle.



# Seed & Start-up.

## Typical Characteristics

- Conceptual designs & framework
- Lack of scale and inefficient operations
- High prices for products
- Significant investment
- Higher Risk

## Financing Alternatives

- Shareholder equity
- Family and Friends
- Government funding (Canadian Small Business Financing Loan)
- Small Business Loans
- Angel Investors
- Crowd Funding

*In 1975, the 20-year-old Jobs and Wozniak set up shop in Jobs' parents' garage, and began working on the prototype of the Apple I. To generate the \$1,350 in capital they used to start Apple, Steve Jobs sold his Volkswagen microbus, and Steve Wozniak sold his Hewlett-Packard calculator.*

# Growth Stage.

## Typical Characteristics

- Rapidly increasing demand.
- Rising economies of scale
- Improved profitability.
- Low barriers to entry

## Financing Alternatives

- Operating Lines of Credit / CC / Lease Lines / Term Loans
- Government Funding (i.e. FedDev / FedNor / EDC)
- Factoring / Purchase Order Financing
- Leasing
- Vendor Take-Backs

*Sold mainly to hobbyists the Apple I generated enough cash to enable Jobs and Wozniak to improve and refine their design. In 1977, they introduced the Apple II. With color graphics and a keyboard the user-friendly Apple II was a tremendous success. First-year sales topped \$3 million. Two years later, sales ballooned to \$200 million*

# Established / Mature.

## Typical Characteristics

- Increased Competition (saturated)
- High Barriers to Entry
- Established Brand loyalty
- Efficient cost base
- Highly Profitable

## Financing Alternatives

- Operational cash flow
- Operating Lines of Credit / ABL
- Senior Term Debt
- Private Equity

*As of the latest year end Apple had \$160BN in cash available globally. Microsoft has a little under \$85BN and the United States Treasury \$49BN to keep the government at work.*

# Expansion / Re-Invention.

## Typical Characteristics

- Re-defining the competitive landscape.
- Growth through Acquisition & Integration
- Growth through New Product Development

## Financing Alternatives

- Senior Term Structures
- Subordinate & Mezzanine Financing
- Partnerships / Joint Ventures
- Private Placement
- Initial Public Offering

*Over the next decade, the company rolled out a series of revolutionary products, including the iPod portable digital audio player in 2001, an online marketplace called the Apple iTunes Store in 2003, the iPhone handset in 2007 and the iPad tablet computer in 2010.*

# Words of Advice.

- Don't Negotiate on Rates Alone
- Long Term Staying Power of your Lender
- Spend on Professional Advice – Lawyers / Accountants
- Develop a Partnership with your Banker
- Leverage your Network
- Take Care of your Own House – Personal Credit Scores

# Rate is Only One Aspect of Lending.



## Demand loans

**Financial Reporting**

**Restrictive Covenants  
(Dividends / Bonuses /  
Additional Debt)**

**On-Going Fees**

**Nominal Covenants**

**Principal Holidays**

**Revolving Features**

**Tenure**

**Future Business**

**Capital Reserves**

**Reputation**

**Personal Guarantees**

**Amortization**

**Prepayment Allowances**

**Rate**

**Leverage**

**Punitive if out of covenant**

**Length of Term**

**Industry Mainstayer**

**Segregation of Lending**



# Staying Power

December 17, 2013

## HSBC closes least-profitable small business accounts

By SEAN STANLEIGH

*B.C. companies have been receiving letters informing them that services are ending in 60 days*

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### Trouble in Paradise: Inside Canadian banks' billion-dollar Caribbean struggle

TIM KILADZE

December 8, 2011 4:17 pm

## Banks reduce lending to property companies

By Ed Hammond

CNBC Enter Symbols GO Enter Keywords GO

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OPTIMIZE ETF TRADING LEARN TECHNIQUES FOR OPTIMAL RESULTS.

## NETNET

### Banks tighten funding pipeline to energy companies



Kate Kelly | @katekellycnbc  
Thursday, 16 Apr 2015 | 2:48 PM ET



COMMENTS Start the Discussion

## Canadian Bank Retreats From Some Lending

By BERNARD SIMON  
Published: July 19, 2002

**TORONTO, July 18**— Bruised by heavy loan losses, the TD Bank Financial Group of Canada said today that it was retreating from a 30-year drive to be a global leader in lending to the telecommunications and cable television sectors.

The bank, Canada's second largest, said that it would increase its loan write-downs by two-thirds this year while "significantly"

CNN Money Business Markets Tech Personal Finance Sm

SPECIAL REPORT Road to Rescue

### Specialist lenders profit as big banks pull back

For small businesses looking for loans, banks that focus on specific communities and industries have become the most reliable financing source.



# Words of Advice.

- Don't Negotiate on Rates Alone
- Long Term Staying Power of your Lender
- Develop a Partnership with your Banker
- Leverage your Network
- Take Care of your Own House – Personal Credit Scores

# Contact Information

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# Networking Time!

Take 15 minutes to meet someone in the room!





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*Spirit of Success.*



We  
help  
business  
grow.

# Alternative Financing \$olutions

Jonathan Brindley CPA, CA



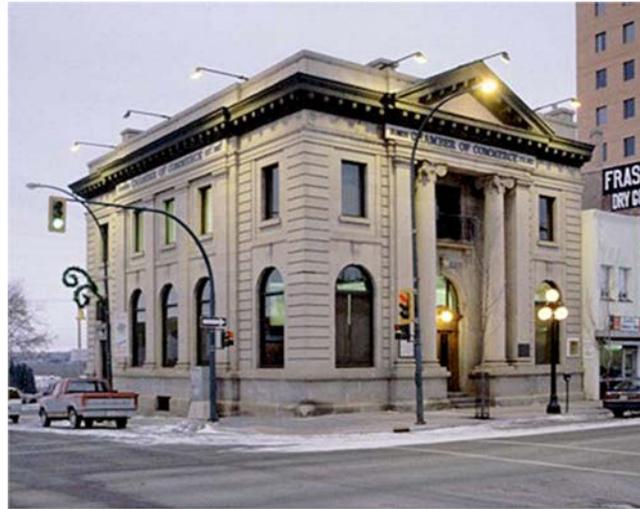
# Access To Capital Today



“Just exactly how bad is our cash flow problem?”

We help business grow.

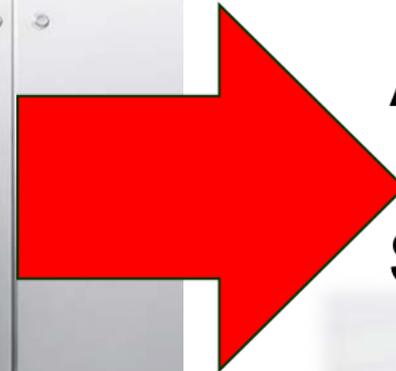
# (Traditional) Sources of Business Funds



We help business grow.



# Another Choice



**Trade or  
Alternative  
Finance  
Solutions !**

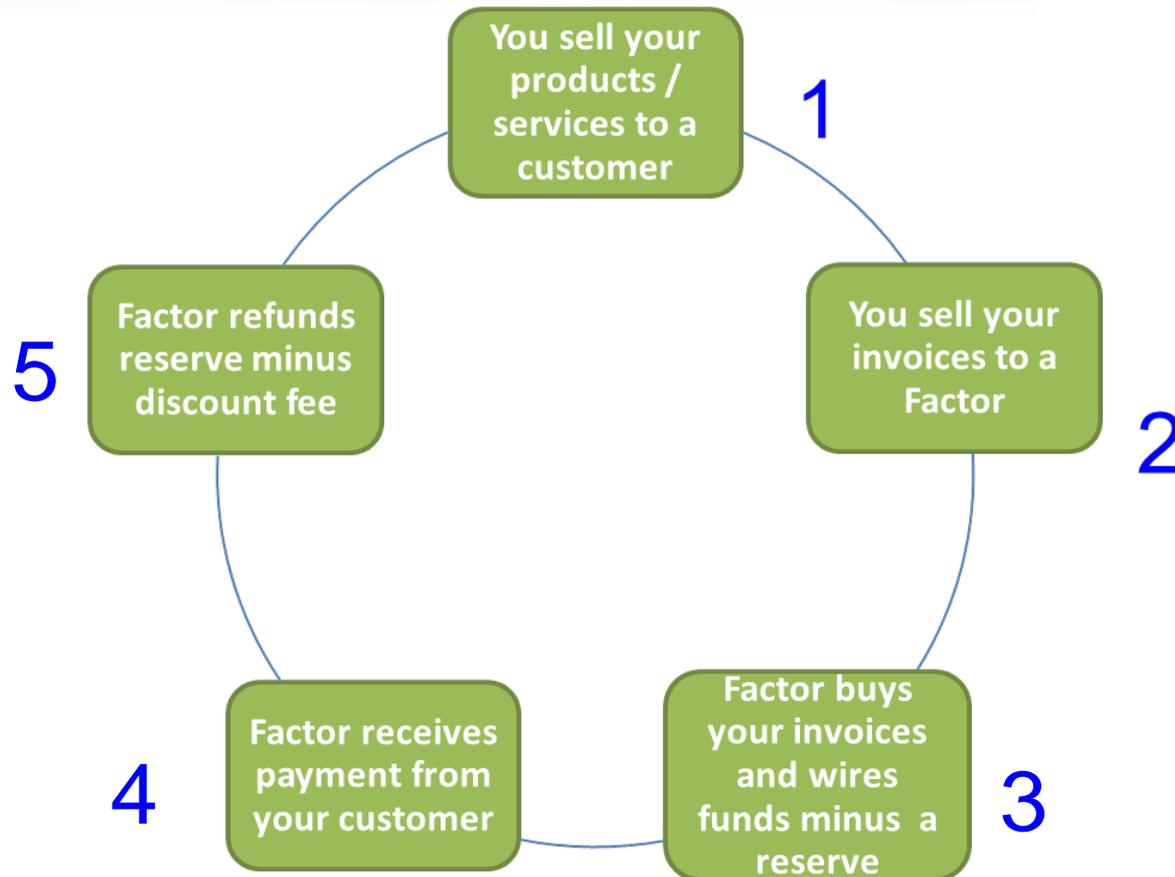


**FACTORING / PO FINANCING /  
SUPPLY CHAIN FINANCING**

We help business grow.



# How Factoring works



We help business grow.



# Who uses A/R Financing ?



- Established companies with growth & No capital
- New & start up businesses
- Turn around businesses
- Bank relationship changes
- R&D companies (SR&ED)
- Collection headaches, bad debts ...



We help business grow.



# Case Studies



We help business grow.



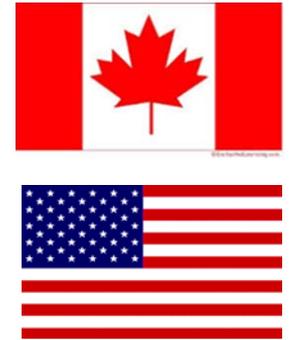
# New Shelf Life (Factoring - Gary & Ted's Story)



We help business grow.



# Digging up New Business (PO Financing)



- Financing orders from credit worthy customers
- For sales of finished goods, commodities
- Allows smaller companies to accept and leverage larger orders
- Finance up to 100% of cost of fulfillment
- Requires factoring of final invoice

We help business grow.

# Tons of Plastic (PFP / Supply Chain Finance)



Liquid Capital Trade Finance



Client

- Supplies funding by paying supplier
- Immediate transfer of title to client
- Insurable interest is created



- Signs PFP agreement & Acceptance
- Receives title to purchased goods
- Responsible for transport, insurance, etc.
- Pays Liquid Capital Trade Finance within agreed terms



We help business grow.

# Common ~~Assumptions~~ about Factoring

## MISCONCEPTIONS

- Only companies on the brink of bankruptcy
- Limited to few highly seasonal industries
- What will my customers think?
- Negative Reputation/Abusive Contracts

*...There is some truth in this. Know who you are dealing with*

- The biggest misconception...
  - Factors purchase invoices at a discount—and sellers lose 10-20% of invoice value



We help business grow.



## **An Ideal Factoring Client**

- **Business 2 Business sales**
- **Manufacturing / Transport  
Distribution / Technology**
- **Creditworthy customers**
- **Under capitalised**
- **Need for growth financing**
- **Has SR&ED claims**
- **Good news / bad news –  
just landed a new client or  
large order but no working  
capital !**
- **Change in the banking  
relationship**

We help business grow.



*We help business grow !*

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Website: [www.liquidcapitaladvancecorp.com](http://www.liquidcapitaladvancecorp.com)

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We help business grow.

# Incentives in Canada

## MBOT - Show me the Money 3!

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# INCENTIVES in Canada

[www.canadabusiness.ca](http://www.canadabusiness.ca) - 493 active programs



The screenshot shows the Canada Business Network website. The browser address bar displays [www.canadabusiness.ca/eng/](http://www.canadabusiness.ca/eng/). The page header includes the Government of Canada logo and navigation links for [Canada.gc.ca](#), [Services](#), and [Dep](#). The main navigation menu consists of tabs: [Starting](#), [Planning](#), [Financing](#), [Managing](#), [Growing](#), and [Government](#). The content area features a section titled **Find financing** with the text "Find government grants, loans or financing programs." and a [Find Financing >](#) button. To the right, there is a **Tax Tip: Are you self-employed?** article dated **APRIL 11, 2013 - 0 COMMENTS** with the text "Find out about deadlines, important facts, and ways to file". Below this, a **Permits and** section is partially visible.

# A sample from the 2015 Federal Budget

Fostering Trade - page 205 of 528!

- Providing \$50 million over five years for a program to share the cost of exploring new export opportunities with small and medium-sized enterprises.
- Providing \$42 million over five years to expand the footprint and resources of the Trade Commissioner Service.
- Securing agriculture market access by providing \$18.1 million over two years, starting in 2016-17, to promote competitiveness and trade opportunities for the agriculture and agri-food sector.
- Providing an additional \$12 million over two years, starting in 2016-17, to market Canadian agricultural and agri-food products around the world.

# INCENTIVES in Canada

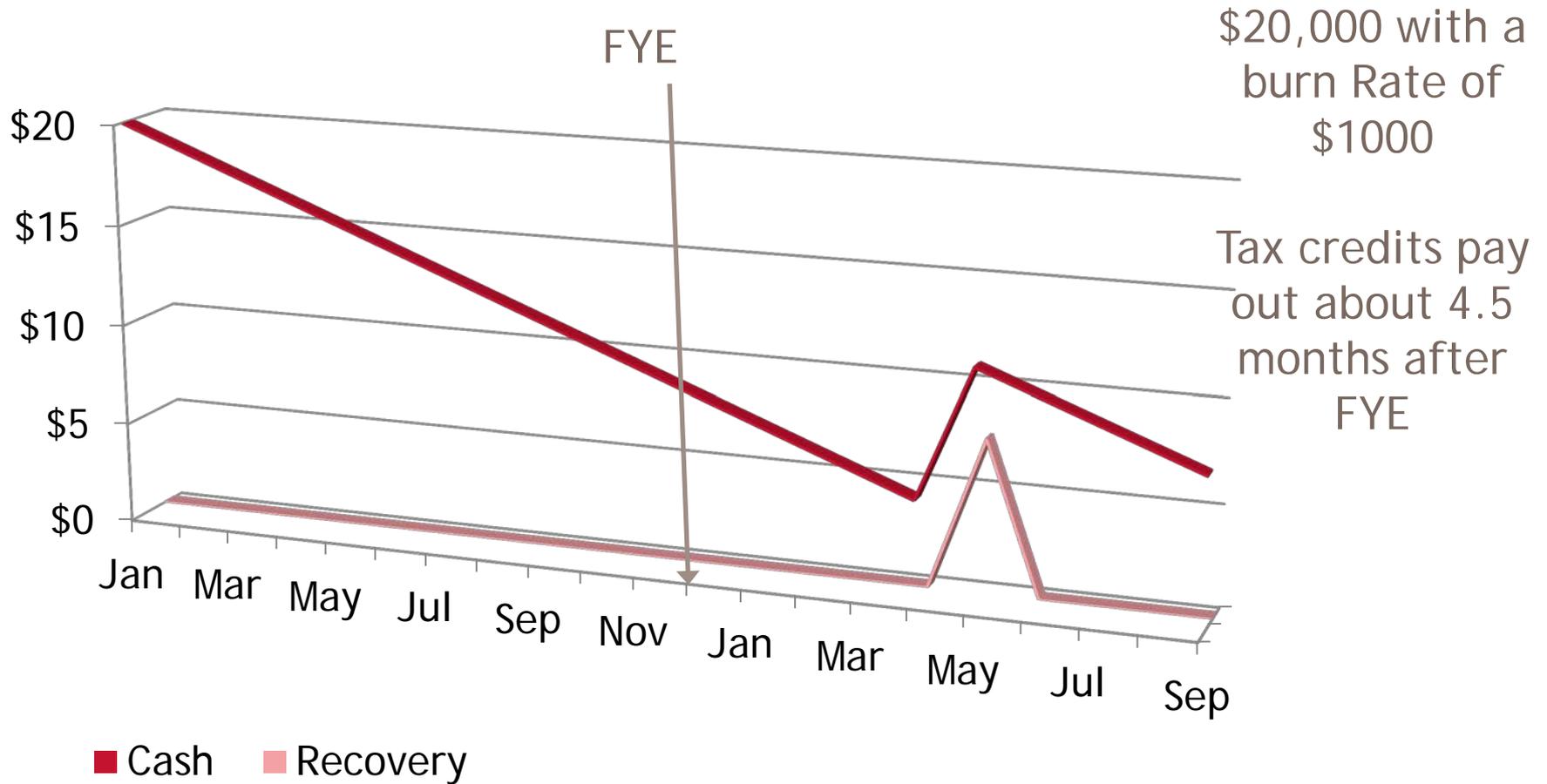
## What kind of help can I get?

- *Grants, contributions and financial assistance*
- *Loans and cash advances*
- *Loan guarantees*
- *Wage subsidies*
- *Equity investments*
  - A “recoverable” grant means it is more like a loan
  - A “expenditure matching” program means you spend first
- *Tax refunds and credits*
  - A “refundable” tax credit means a check is in the mail



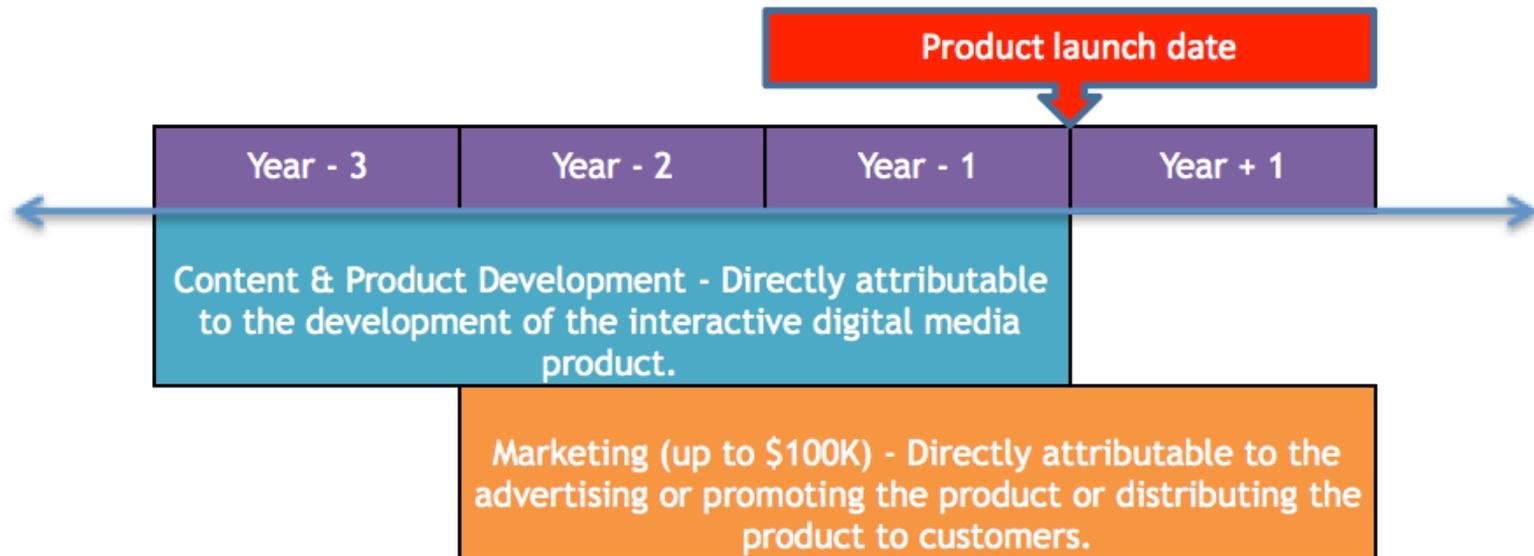
# INCENTIVES in Canada

## Tax Credit Model



# INCENTIVES in Canada

## Digital Media Tax Credit Timeline



# INCENTIVES in Canada

## Scientific Research & Experimental Development

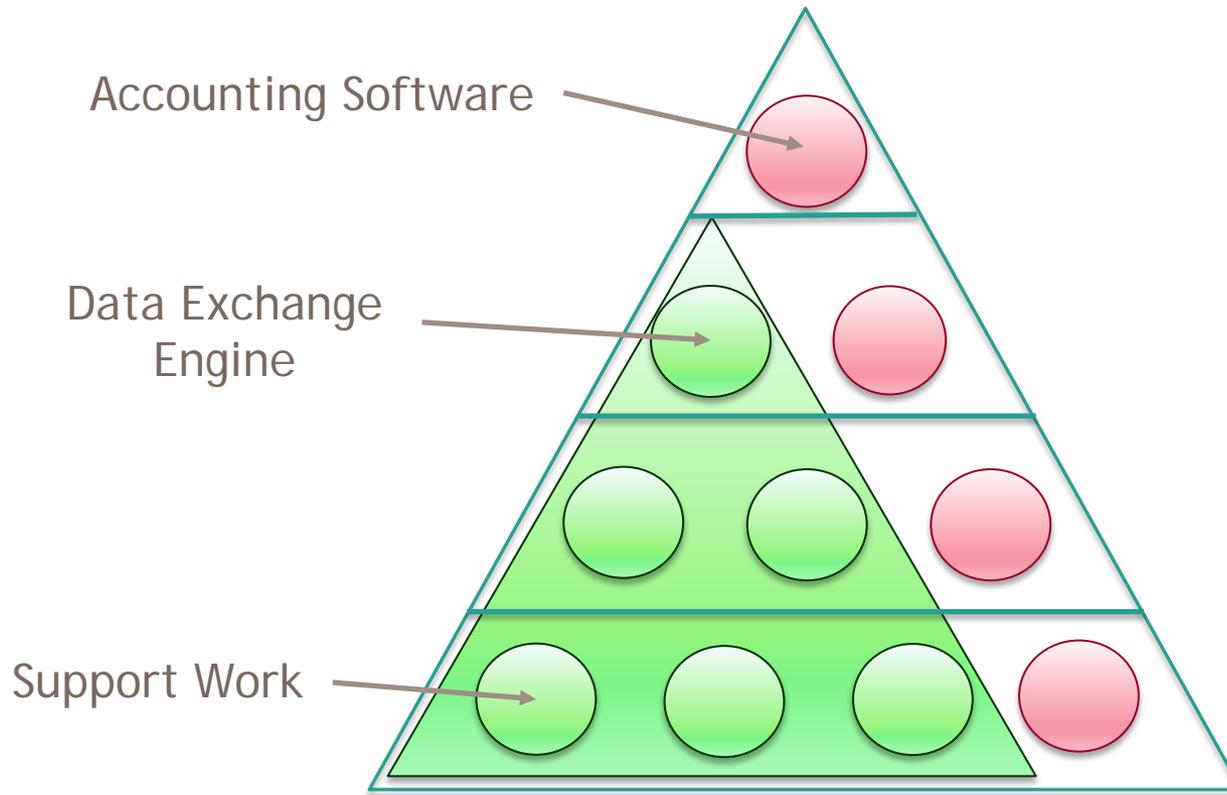
Approximately 20,000 businesses access \$4B of Tax Credits

- a) SR&ED is the systematic investigation or search
- b) carried out in a field of science or technology
- c) by means of experiment or analysis...
- d) for scientific or technological advancement...

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## SR&ED within a Company Project

Income Tax Act: Section 248



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## SRE&D Recovery Rates

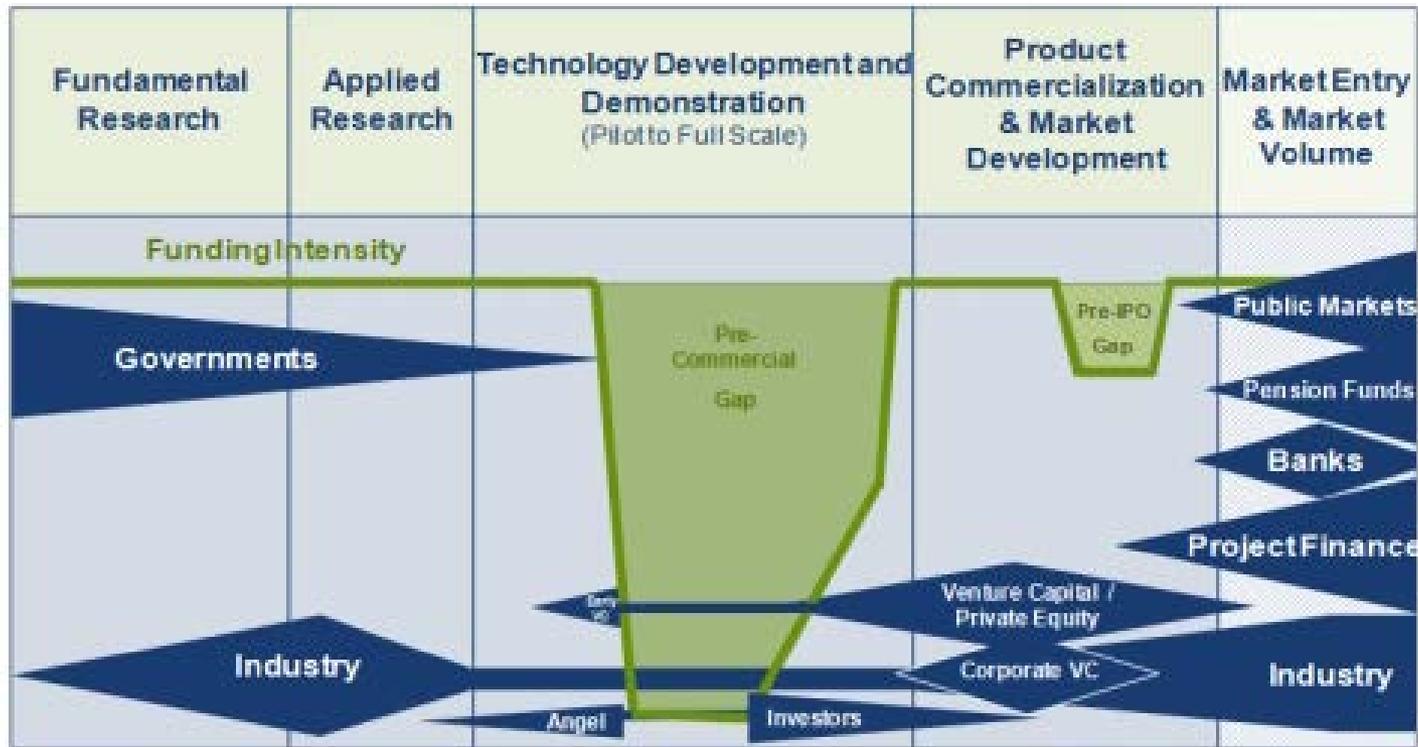
Canadian-controlled private corporations (CCPC), under Taxable Income (TI) and Taxable Capital(TC) limits:

ITEM	SALARY	MATERIALS	SUB-CONTRATORS
Federal (35%) + Ontario ITC (10 % + 4.5%)			
Enhanced Rate of Return	68.41%	44.13%	35.31%
Other Rate of Return	29.18%	18.83%	15.06%

- For fiscal year end 2014
- Gross credits generated in a best case scenario

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## Funding and the R&D Life Cycle

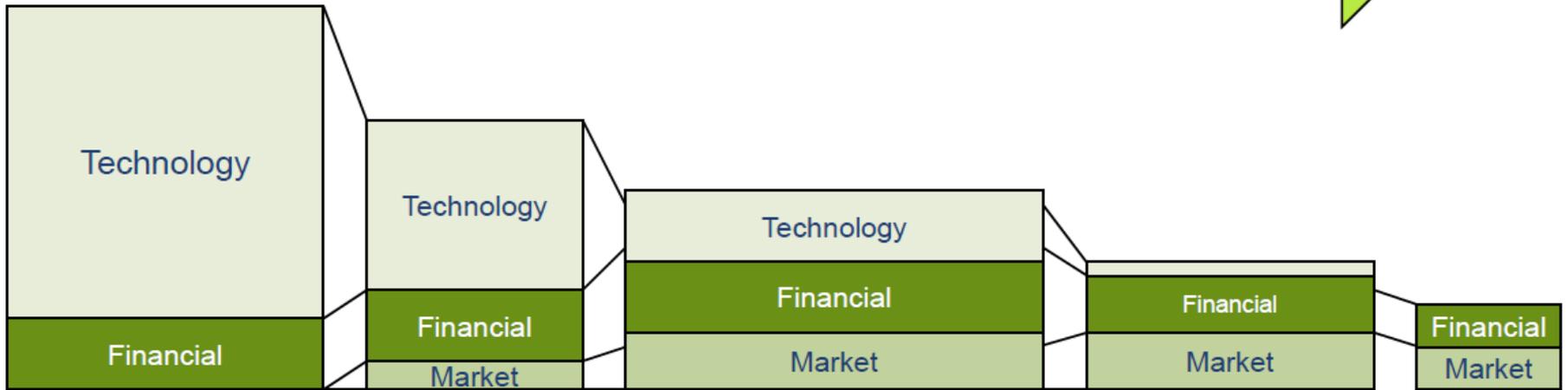


Venture capital financing deals by stage (2000 – 2012)  
Source: Thomson Reuters

	Seed	Startup	Other Early Stage	Expansion
Energy & Environment Deals	27	79	125	168
Total Deals	469	1295	1750	3009



### Risk Profile



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## Technology Readiness Level (TRL)

1. Conceptual articulation
2. Technology and Applications described
3. Laboratory studies and analysis
4. Limited capability prototype validation in laboratory (pre-alpha)
5. Full capability prototype validation in laboratory (alpha version)
6. Prototype validation in relevant environment (pre-beta version)
7. Actual system validation in a relevant environment (beta version)
8. Initial production and rollout
9. Full production mode

STDC 3-9 -> IRAP 4-7 -> BCIP - 7-9



# INCENTIVES in Canada

## Identifying programs

All monetary incentives are designed to encourage specific behavior; they are “targeted” at:

1. Types of Products
2. Technology related to your Product
3. People who produce the Product
4. Location of your Business & Customers
5. Stakeholders

# INCENTIVES in Canada

## 1. Development of a product

### Ontario Media Development Corporation (OMDC) tax credits and funds

- Film, Animation, Video Production, Book and Interactive Digital Media (40%)
- Grow Forward 2, Agri-Innovation & Agrifood (repayable 35%-50%)
- SDTC Cleantech, (repayable)

#### Tax Credit Statistics 2013-2014

	Applications Received	Products/Productions Received	Number of Certificates Issued	Number of Projects	Total Value of Estimated Tax Credits	Project Value
OBPTC	647	647	611	611	\$3,450,009	\$12,269,605
OSRTC	61	61	159	78	\$614,955	\$3,376,081
OFTTC	299	299	368	368	\$177,101,164	\$1,045,060,035
OPSTC	167	167	174	174	\$224,715,382	\$3,157,797,546
OCASE	83	247	110	301	\$44,236,553	\$420,084,598
OIDMTC	278	1,759	202	1,157	\$68,260,040	\$233,101,176
<b>TOTAL</b>	<b>1,535</b>	<b>3,180</b>	<b>1,624</b>	<b>2,689</b>	<b>\$518,378,103</b>	<b>\$4,871,689,040</b>

# INCENTIVES in Canada

## 1. Product - Build in Canada Innovation Program (BCIP)

Helps bridge the pre-commercial gap by awarding contracts up to \$500,000

Government becomes your first customer, and provides feedback and validation

### Priority Areas:

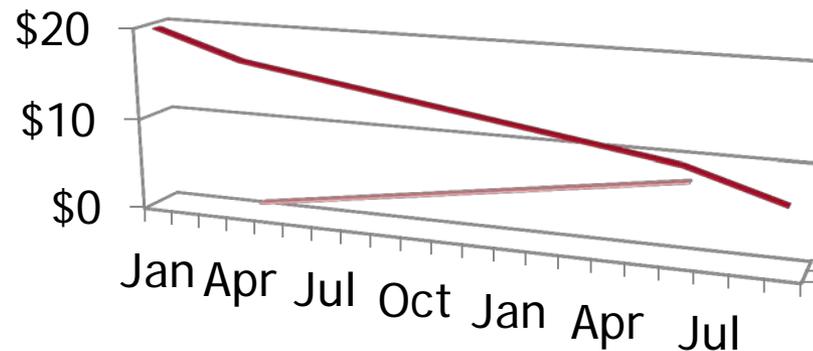
- Environment
- Safety and security
- Health
- Enabling technologies
- Military technologies

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## 2. Technology related to your product

### NRC Industrial Research Assistance Program (IRAP)

- Proposal before work is performed
- Work to a schedule, monthly reports are filed
- Expenses incurred are “matched”
- Commercial aspects are critical
- Credibility and reliability of your company and team



# INCENTIVES in Canada

## 2. Technology related to your product

### CME SMART - Advanced Technology for Global Growth

Southern Ontario Manufactures with 15-500 employees and participation in international markets

- Assessments; 50% capped at \$15,000
- Adapting or Adopting advanced technologies; 35% capped at \$100,000

Projects NOT started before April 1, 2014 and have less than 50% incurred costs at date of online application submission

# INCENTIVES in Canada

## 2. Technology Related to a Product

- Investing in Business Innovation (IBI) - <50e, 33%
- Business Growth and Productivity (IBGP), >15e 25%
- Commercialization Partnerships (ICP), 50%
- Regional Diversification (IRD), 50%



Gary Goodyear, Minister of State (Federal Economic Development Agency for Southern Ontario)

# INCENTIVES in Canada

## 3. People who produce the Product

- Youth Employment Program (NRC IRAP-YEP)
  - 50% up to \$30,000 of post-secondary graduate's salary; for work on an innovative technical project
- Career Focus
  - 10-20,000 subsidy per person under 31; who is hired to work on an innovative technical project.
  - Paid at \$10-20/h for at least 8 new hires

# INCENTIVES in Canada

## 3. People who produce the Product

- **Canada Job Grant**

- Training must be provided by an external trainer (public or private institution)
- The government funds up to 2/3 or \$10,000 per person for tuition and training materials,
- Less than 50 employees allows for some salary cost contribution

- **Co-operative Education Tax Credit**

- Refundable tax credit, 30% of qualifying expenditures; maximum credit for each work placement is \$3,000. Minimum employment period of 10 weeks up to a maximum of four months

# INCENTIVES in Canada

## 3. People who produce the Product

- MITACS
  - Cost sharing for access to PHD and other academic resources; typically a investment of \$15,000 per year
- OCE - <http://www.oce-ontario.org/>
  - Entrepreneurs & Academic collaborations
  - Shareholder agreements are NECESSARY!

# INCENTIVES in Canada

## 4. Development of international business

**EMA Background** - Available once you have \$500,000 in sales and 5-500 employees.

**Benefit** - Grant covering 50% of project costs in four specified areas. Generally ranging from \$5,000 to maximum of \$30,000 to \$150,000.

Four area eligible for funding:

1. Direct contacts
2. Marketing tools
3. Market research
4. Foreign bidding projects



# INCENTIVES in Canada

## 5. Type of Owner- OCE & Futurpreneur

### Ontario Centre of Excellence - SmartStart Seed Fund

- \$35,000 per start-up to launch and grow your business
  - \$30,000 in seed financing
  - \$5,000 in entrepreneurship skills training and professional support services
- Requires a cash match of 1:1
- Applications are evaluated on their ability to demonstrate a viable business proposal and aptitude for entrepreneurship
- Incorporated Ontario-based start-up led by a young entrepreneur age of 18 to 29



Ontario Centres of  
Excellence

# INCENTIVES in Canada

[www.canadabusiness.ca](http://www.canadabusiness.ca)



# QUESTIONS



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# Thank you!

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# Panel Session

Ask the experts your questions.

