

From: [Khemir, Habib](#)
To: [David Sabina](#)
Cc: [Charron, Jason](#); [Unrau, Jody](#); [Hassan, Ahmed](#)
Subject: RE: A&D precision SR&ED case commentary - 2 project drafts each 3 years of activities
Date: Wednesday, May 8, 2019 10:17:00 AM

Hello David,

Hope you're doing well and ready for your important presentation. Below is some Feedback and general comments on the examples you shared with us that can bring some basic but important aspects:

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The SR&ED program relies on the claimant's accurate self-assessment of which work and expenditures meet the definition of SR&ED as per the ITA. The program also relies on the reviewers making the right determinations and decisions, and helping claimants improve their compliance to the program requirements. To meet this end goal, a very crucial aspect is the claimant-CRA interaction:

- Open and transparent communication by the CRA to the claimant/authorized representative, on the claim issues, and how to address them.
- Open and transparent communication by the claimant to the CRA, with regard to:
 - o A description of the existing state of the art by personnel who are knowledgeable in the field/sector to explain why their knowledge is insufficient in order to achieve their product/process objectives.
 - o What efforts were taken to conduct a systematic investigation or search, and what knowledge was obtained that did not exist prior to the claimed work.
 - o Direct and indirect evidence to support the claimed work, and expenditures.

The following feedback on the three examples presented, are intended to assist in bringing out information and facts that would support eligibility in each of the cases.

In the example titled "Mac & Mac pipe liner removal process", it appears that work was conducted to ascertain the effect of a number of key variables including water pressures, pipe rotation speeds, nozzles rotation speeds, number of passes, size of nozzles, distance between nozzles and linings, etc. In such projects, the following information would help establish eligibility:

- What was the existing state of the art in terms of removing pipe linings, at the time of the claimed work?
- In what way was the existing methodology insufficient, and what was the claimant's proposal?
- Given their existing knowledge base (company's own knowledge, as well as public-domain industry knowledge), what aspects were the claimants uncertain about, in their proposed solution?
- Details of trials, and how were the results tracked as the work progressed?
- Emphasize how the work helped gain new knowledge, towards realizing the solution (Note that the success or failure of the proposal is not being discussed here).

In the example titled "A&D Precision Full Spectrum Versatile Horizontal Lathes", the efforts undertaken by the claimant to adapt existing lathe systems, as well as designing 80, 60 and 40 ton lathes were described. Following the line of thinking in the earlier example, the following

questions can be considered when the claimant self-assesses, or when the reviewers determines, the eligibility of the project:

- In designing the 80 ton lathe, what specific requirements were communicated initially to Toshiba, and what factors contributed to the quoted high cost?
- What missing knowledge did the claimant have to gain, in order to proceed with the design and fabrication of the 80 ton machine? For example, what were the particular technical roadblocks to using a welded steel construction, rather than a cast-iron construction? Or, how did the tight tolerance requirements, or low-vibration requirements constrain the design aspects of the machine?
- How did the claimant attempt to acquire the required knowledge to build the 80 ton machine? – How was the systematic investigation and search approach documented?

Similarly, **in the example titled ‘A&D Precision Double Wheel Roll Grinding Machine’**, the key questions that could be discussed between the claimant and the reviewer would include:

- While the concept of moving the grinding head to either side of the machine, as opposed to moving the work piece, was a novel concept, what challenges did the claimant anticipate (during planning), or encounter (during implementing)?
- Explain the claimant’s thought process with the various novel design ideas in the machine, including the angular contact bearings, or the use of the linear guideways.
- Explain the knowledge gain that led the claimant to the conclusion that the proposed solution was not achievable. For example, vibrations may have been very difficult to model and predict, and extend to other machines.

In the example titled “Formadrain Liner Development” the work appeared to include resin formulation as well as the methodology to apply the resin liner on the pipe inner surfaces, with a study of the interacting variables, including the resin formulation, mandrel configurations, deployment method, etc. In such a scenario, the most important aspects to bring out are:

- The background knowledge and experience of the key personnel with regard to the area of activity.
- For the given objective what can the current methods achieve or not achieve? (In this case it is an all in one process with a single use chuck, resin, and curing).
- What is their proposed solution, its difference from the current approached, and their concerns, given their background and knowledge?
 - o Here they can bring out the aspects where they are uncertain about in their proposed solution, given their background knowledge.
 - o Capturing and retaining the thoughts, concerns, and ideas that went into modifying their initial solution will be very useful
- Tracking the progress of work by retaining information

In providing the above feedback, the CRA notes that:

- The 3 projects that are discussed in the examples are based on partial facts of the three court cases.
- The questions raised in the feedback should help claimants and authorized representatives bring forward the facts associated with a project, in order for the claimant to self-assess eligibility, and convey the rationale for submitting the project as an SR&ED project, to the reviewers. **Therefore, the questions presented by the CRA are neither a commentary on the judgement or your project descriptions.**
- We have not provided any comments on the format or the style of presentation of your project description, or any additional information that you may have added.

Hope this helps,

Regards,

Habib Khemir

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From: David Sabina <dsabina@meuk.net>

Sent: May 6, 2019 5:47 AM

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Subject: A&D precision SR&ED case commentary - 2 project drafts each 3 years of activities

Hi Habib,

As discussed I have drafted the case outlines in project format for discussion.

I have tried to use as much of the actual case content as possible to show how & why the projects were eligible.

I welcome any input or feedback.

Regards,

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