Valuation Reports

Report Disclosure Standards and Recommendations

1. Chartered Business Valuators may be retained as independent experts to provide a conclusion as to the value of shares, assets or an interest in a business. In these circumstances, reports arising from such engagements are termed “Valuation Reports”.

2. A Valuation Report is defined as “any written communication containing a conclusion as to the value of shares, assets or an interest in a business, prepared by a Valuator acting independently.” A Valuation Report does not include work product that is in the process of being completed that is provided to a client or knowledgeable third party in circumstances where each of the following conditions are met: (i) the work product is clearly marked as being in draft form and subject to change; (ii) the work product is issued for the purpose of obtaining comment, instruction, confirmation or other information required to complete the Valuation Report; (iii) the Valuator knows, or reasonably ought to know, that the intended reader(s) does not intend to rely on the work product or distribute the work product to a third party who may in turn rely on such work product; and (iv) the Valuator has a reasonable expectation at the time the work product is provided that a Valuation Report will be completed and issued in due course.

3. In practice, there are three types of Valuation Reports. These Reports are not only distinguished by the Valuator’s scope of review and the amount of disclosure provided, but also by the level of assurance being provided in the conclusion, with a Comprehensive Valuation Report providing the highest assurance and the Calculation Valuation Report providing the lowest. The three types of Valuation Reports are generally described as follows:

4. **Comprehensive Valuation Report** – a Comprehensive Valuation Report contains a conclusion as to the value of shares, assets or an interest in a business that is based on a comprehensive review and analysis of the business, its industry and all other relevant factors, adequately corroborated and generally set out in a detailed Valuation Report.

5. **Estimate Valuation Report** - an Estimate Valuation Report contains a conclusion as to the value of shares, assets or an interest in a business that is based on limited review, analysis and corroborations of relevant information, and generally set out in a less detailed Valuation Report.
6. **Calculation Valuation Report** - a Calculation Valuation Report contains a conclusion as to the value of shares, assets or an interest in a business that is based on minimal review and analysis and little or no corroboration of relevant information, and generally set out in a brief Valuation Report.

7. The type of Valuation Report required is a matter to be discussed and agreed on by the Valuator and the client, and then reflected in the terms of engagement. In arriving at this agreement, the Valuator and client should consider the purpose for which the Valuation Report is being prepared, the availability of information on which to base a conclusion, and the client’s need for assurance. The Valuator should also consider whether the type of Valuation Report will be credible for the purpose intended, and ensure that any conclusion expressed will not be misleading to a reader and is not dependant on any assumptions known by the Valuator to be false.

8. A summary of any type of Valuation Report shall be exempt from the following standards and/or recommendations provided that the summary clearly refers to the original Valuation Report.

9. At a minimum, all Valuation Reports shall contain the following information, which is set out herein in bold characters. To the extent requirements differ for the three types of Valuation Reports, the different requirements are specifically noted. “Recommendations” are not mandatory, but encouraged. “Explanatory comments” provide additional guidance in applying the specific provisions of the Standard.

10. **Report Introduction**

10.1 The Valuation Report shall have an introduction that includes the following information:

A. **To whom the Valuation Report is being provided;** *(Explanatory comment: if not readily apparent from the addressee, the name of the party who engaged the Valuator should be disclosed)*

B. **A description of the shares, assets or interest in a business being valued;**

C. **The effective date of the valuation (the valuation date);**

D. **The date of the Valuation Report;** *(Explanatory comment: the Valuation Report should be dated at the time when pertinent information was last obtained and analyzed, including information obtained from discussions with management or other parties)*

E. **The purpose for which the Valuation Report is being prepared;** *(Explanatory comment: the Valuator may want to emphasize that the*
Valuation Report is addressed to specific readers in specific circumstances, having specific needs and/or knowledge)

F. The name of the firm responsible for preparing the Valuation Report, as well as the name of the Valuator when the Valuation Report is prepared for litigation purposes; (Explanatory comment: this information may be disclosed elsewhere in the Valuation Report, such as in the letterhead and/or on the signature page)

G. The type of Valuation Report being provided (i.e. Comprehensive, Estimate or Calculation Valuation Report);

H. A statement that the Valuation Report was prepared by the Valuator acting independently and objectively; (Explanatory comment: in circumstances where a firm is responsible for preparing the Valuation Report, this statement is in respect of the independence and objectivity of the person(s) who prepared the Valuation Report and any assistants)

I. A statement that the Valuator’s compensation is not contingent on an action or event resulting from the use of the Valuation Report; and

J. A statement that the Valuation Report has been prepared in conformity with the Practice Standards of The Canadian Institute of Chartered Business Valuators.

11. Report Definitions

11.1 The Valuation Report shall contain definitions for the terms of value used, such as “fair market value”, “market value”, “fair value”, or “adjusted net asset value”. (Recommendation: unless self-evident, other terms and phrases having a technical meaning should be defined or explained in the Valuation Report, including such terms as “special purchaser”, “notional valuation”, “minority discount”, or “control premium”)

11.2 With respect to the definition of fair market value, the Valuation Report should indicate the extent to which special purchasers were considered and the reasons why. (Recommendation: the discussion may include the steps taken to investigate the existence of special purchasers, the problems of quantifying the amount of net economic value-added, and the degree to which special purchasers have influenced the conclusion)

12. Report Scope of Review

12.1 The Valuation Report shall contain a scope of review that clearly identifies the specific information on which the Valuator relied to arrive at a conclusion. (Explanatory comment: such information might consist of the documents reviewed,
the individuals interviewed, the facilities visited, other expert reports relied on, such as Valuation Reports, management consulting studies, and appraisals, and management representations obtained with respect to the information provided.

12.2 It is expected that the scope of review will be more comprehensive for a Comprehensive Valuation Report and progressively less comprehensive for an Estimate Valuation Report and a Calculation Valuation Report. It is a matter of professional judgement as to the amount of review appropriate for the type of Valuation Report being provided.

12.3 For Estimate and Calculation Valuation Reports, the Valuator shall disclose that the scope of review is inherently limited by the nature of the Valuation Report being provided, and that the conclusion expressed may have been different had a Comprehensive Valuation Report been provided.

12.4 Where the conclusion is qualified by a scope limitation, regardless of the type of Valuation Report being provided, the limitation shall be explained, setting out the reasons for the limitation. (Explanatory comment: to the extent that the scope of review has been significantly restricted, or information provided is substantially incomplete, the Valuator must determine if an unqualified conclusion can be provided)

13. Report Disclosure

13.1 The Valuation Report shall provide sufficient information to allow the reader to understand how the Valuator arrived at the conclusion expressed. (Explanatory comment: the amount of information included and the manner of disclosure is a matter of professional judgment, based on the scope of review, the purpose for which the Valuation Report is intended, and the type of Valuation Report being provided)

13.2 At a minimum, all Valuation Reports (i.e. Comprehensive, Estimate and Calculation Valuation Reports) shall include the following information:

A. The basis of valuation, as well as the approach and methods used, explaining the rationale for using the going concern or liquidation basis and the reasons for selecting a particular valuation approach (income, cost or market); (Recommendation: the basic mechanics of the valuation methodologies used should be outlined, and appropriate definitions should be provided as necessary) (Explanatory comment: the amount of explanation and disclosure would be minimal for a Calculation Valuation Report, and progressively more for an Estimate and Comprehensive Valuation Report) and

B. A statement of the key assumptions made in arriving at the valuation conclusion.
13.3 In addition to the minimum information required for all Valuation Reports as noted in 13.2, Comprehensive and Estimate Valuation Reports shall also include the following information:

A. A description of the valuation calculations, explaining how the significant components of the valuation calculations were developed, the rationale for each component and the matters considered;

B. Where relevant to the valuation assignment, a full description of the classes of shares and rights attached thereto, where interests other than common shares have to be valued either directly or as part of the overall valuation; (Recommendation: the details of any shareholder agreements, voting trust agreements, or other contractual obligations affecting the shareholders should be provided)

C. A summary of relevant financial information; (Explanatory comment: this would comprise the most current balance sheet, as well as historic income/cash-flow statement information leading up to the valuation date)

D. A description of the business being valued, sufficient for the reader to understand the valuation basis and approach adopted, as well as the various earnings/cash flow risk factors present; (Explanatory comment: this would include a narrative description of the business activities, a brief history and a discussion of factors influencing value) and

E. A reference to trading volumes and price ranges, in the case of publicly traded securities.

13.4 In addition to 13.2 and 13.3, a Comprehensive Valuation Report shall include:

A. A description of the economic context and industry outlook bearing on the shares, assets or interest in a business being valued, taking into account the past and foreseeable future, as well as conditions at the valuation date.

14. Report Restrictions and Qualifications

14.1 All Valuation Reports shall disclose any restrictions that affect the Valuator’s conclusion, as noted below:

A. A statement restricting the use of the Valuation Report by the persons for whom the Report was prepared and only for the stated purpose;

B. A statement denying responsibility for losses resulting from any unauthorized or improper use of the Valuation Report; and
C. A statement giving the Valuator the right to make revisions and/or to further support the conclusion under specified circumstances, such as when facts existing at the valuation date become apparent to the Valuator after the Valuation Report is issued.

14.2 Comprehensive and Estimate Valuation Reports shall disclose any qualifications that affect the Valuator’s conclusion. (Recommendation: Valuators should consider including qualifications in Calculation Valuation Reports as well)

15. Conclusion

15.1 The Valuation Report shall contain a conclusion as to the value of the shares, assets, or interest in a business being valued. (Recommendation: the conclusion should include a reference to the type of Valuation Report being provided, the Valuator’s scope of review, key assumptions relied upon, and any restrictions and/or qualifications in the Valuation Report)

June 17, 2009
Appendix A to Standard No. 110

Valuation Reports Prepared for Purposes of Securities Legislation, Regulation or Policies

Introduction

1. The objective of Appendix A is to set out the disclosure standards pertaining to valuation reports ("Valuation Reports") that are prepared for the purposes of securities legislation, regulations or policies in the context of non-arm's length transactions (collectively "Securities Regulation or Policies"). Securities Regulation or Policies include, without limitation, Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions and Companion Policy 61-101 CP issued by the Ontario Securities Commission and Autorité des marchés financiers.

2. While it is not required that sufficient information be provided to enable the reader to perform his or her own independent valuation, a Valuation Report should contain sufficient narrative and schedules to support the valuation conclusion for the purposes at hand. The source of any fact which is material to the valuation conclusion must be clearly stated, including sufficient details so that the significance of the fact can be reasonably assessed by the reader of the Valuation Report. Adequate disclosure will usually include a comparison of valuation calculations and conclusions arrived at through different methods, a discussion of the rationale for accepting or rejecting each methodology and the relative importance or weighting of relevant methodologies in arriving at a final valuation conclusion. A summary of a Valuation Report will be sufficient only if it provides a sufficiently detailed review of all material factors contained in the Valuation Report so that the reader can form a reasoned judgment of the key assumptions, principal underlying judgments and principal underlying reasoning of the Valuator in arriving at the valuation conclusion expressed in the Valuation Report.

3. The Valuator should also refer to the appropriate Securities Regulation or Policies concerning giving consent for the filing of the Valuation Report and to the inclusion of the Valuation Report or its summary in the disclosure document for the transaction for which the Valuation Report was prepared.

4. A greater level of disclosure is generally required in valuations pursuant to Securities Regulation or Policies than in other circumstances and/or for other purposes. Accordingly, while Practice Standard No. 110 applies to all Valuation Reports, Appendix A applies only to Valuation Reports prepared for the purposes of Securities Regulation or Policies. In addition to the Practice Standards set out in this Appendix, Valuation Reports prepared for the purposes of Securities Regulation or Policies shall adhere to all other relevant Practice Standards. The disclosure items set out herein are
not necessarily exclusive to Valuation Reports to which this Appendix A applies. These may or may not be appropriate in other circumstances.

**General**

5. This Appendix A should not be viewed as an all inclusive list of required disclosure but rather as a guideline for minimum acceptable disclosure. Where sub-lists of information are provided, they should be viewed as examples of the type and level of information that should be disclosed. There will be situations where certain items listed are not applicable or where other items that are not listed should be disclosed. The Valuator should consider the level of disclosure described herein when considering the appropriate level of disclosure in a Valuation Report concerning matters or valuation methodologies not addressed herein but that are important in reaching a valuation conclusion. The Valuator should also refer to the relevant Securities Regulations or Policies for disclosure required in certain specific circumstances.

6. The disclosure requirements in Appendix A are not a substitute for the professional judgment and responsibility of the Valuator. For instance, the Valuator's professional judgment is required in situations where the disclosure of certain commercially sensitive information might be viewed as potentially detrimental to the issuer or its security holders. In such circumstances, the Valuator shall determine whether the perceived detriment to the issuer or its security holders of the disclosure of such information outweighs the benefit of disclosure of such information to the readers of the Valuation Report.

**Independence and Qualifications**

7. A Valuation Report should disclose (i) that the assessment of the independence and objectivity of the Valuator is consistent with the independence requirements of the relevant Securities Regulation or Policies and (ii) any information regarding the independence and qualifications of the Valuator as required by such Securities Regulation or Policies.

8. For purposes of this section, a reference to the Valuator includes his/her firm, partnership or corporation.

**Fundamental Financial Information**

9. The disclosure requirements set out in this section should be applied to each segment of a business that the Valuator considers and values separately in arriving at an overall valuation conclusion.
10. The Valuation Report should contain the following fundamental financial information:

   a) **Historical Financial Information**: Unless disclosed in the document prepared in connection with the transaction to which the Valuation Report applies, or unless otherwise made available to security holders, the historical financial information should include:

      i) **Annual Financial Information**: comparative summaries for the most recent five years (and longer if the business cycle warrants), if available, of:

         - income statements (setting out at least: sales, gross profit, major expense items, operating profit or earnings before interest and taxes, interest/financing expenses, earnings before income taxes, income taxes and net income);

         - cash flow statements (setting out at least: earnings from operations, depreciation, amortization and depletion, deferred taxes, other major deferred charges, major deferred revenues, debt borrowings and repayments, equity issues, other capital transactions and dividends);

         - balance sheets (setting out at least: cash and marketable securities, other current assets, fixed assets including accumulated depreciation, intangible assets, short-term debt, current portion of long-term debt, other current liabilities, long-term debt, deferred taxes, preferred equity and common equity);

         - key financial statement ratios and metrics; and

         - key operational statistics such as those commonly provided in Annual Reports for public companies in the relevant industries;

      ii) **Interim Financial Information**: comparative summaries on as similar a basis as possible to that set out in (i) above of operating results and the financial position for and as at the end of the most recent interim period for which information is available; this information should be provided on a comparative basis to the same interim period for the prior year.

   b) **Future - Oriented Financial Information**: future-oriented financial information including the following, unless the Valuator has not used such information in preparing the valuation, in which case a statement to this effect and the Valuator's reasons for this should be included in the Valuation Report:
i) **Budget**: a summary of the management prepared budget for the current year, to the extent such information is available, on as similar a basis as possible to that set out in a) (i) above; and

ii) **Forecast / Projection**: a summary of the financial forecasts or projections used by the Valuator to the extent such information is available, on as similar a basis as possible to that set out in a) (i) above. Major differences from assumptions used by management in preparing its forecasts and projections should be identified and discussed.

c) **Empirical Evidence**: empirical evidence underlying and supporting key financial assumptions, judgments, and calculations, such as:

i) **Comparable Company Trading Information**: a discussion of comparable trading information for publicly traded securities the Valuator considers to be relevant and that the Valuator uses in arriving at the valuation conclusion; where comparable company trading information used, disclosure should include at least the following (preferably in tabular form):
- date(s) of the actual market price data;
- a brief descriptive note regarding the comparable securities; and
- the particular information used (such as earnings / EBIT / EBITDA/ cash flow / book value multiples, yields, etc.).

ii) **Comparable Transactional Information**: a discussion of and valuation statistics from comparable transactions involving businesses the Valuator considers to be relevant and uses in arriving at the valuation conclusion; the disclosure on such precedent transactions should include at least the following (preferably in tabular form):
- date(s) of transaction(s);
- a brief descriptive note regarding the comparable transaction; and
- the relevant multiples implicit in the transaction (such as earnings / EBIT / EBITDA/ cash flow / book value multiples), including takeover premium percentages

iii) **Discount Rates, Multiples and Capitalization Rates**: a discussion of relevant quantitative data used to calculate discount rates, multiples and/or capitalization rates; where comparable companies and transactions have been used this should also include information described in c) (i) and (ii) above;

iv) **Commodity Prices**: the source and details of commodity pricing assumptions used in budgets, forecasts and projections (e.g. metal prices, timber prices, oil and gas prices, etc.) with reference to actual current prices and third-party commodity price forecasts the Valuator considered in arriving at the inputs used in the valuation; and
v) **Economic Assumptions**: key economic assumptions used by the Valuator as inputs into the valuation (such as GDP growth, interest rates, exchange rates, etc.).

**Valuation Calculations**

11. The Valuation Report should clearly set out the basis of the valuation computation for each of the valuation methodologies adopted by the Valuator and separately disclose other factors (such as redundancies) in sufficient detail to assess the impact on the overall valuation conclusion. In this regard, the following disclosure guidelines should be followed by the Valuator in preparing the Valuation Report:

a) **Capitalized Earnings / Cash Flow Approach**

i) **Unadjusted Earnings / Cash Flow**: the reported historical and future-oriented earnings/cash flow for each of the years reviewed by the Valuator;

ii) **Normalization Adjustments**: all significant normalization adjustments, on an annual or interim basis, made by the Valuator; normalization adjustments may include, but are not limited to:
- non-recurring revenue and expense items (such as start-up costs);
- restructuring charges or special revenues;
- earnings / losses from discontinued operations;
- adjustments related to changing interest rates or exchange rates;
- expenses that are not expected to continue in the future or, conversely, that would be required in the future; and
- adjustments relating to redundant assets that the Valuator considered separately;

iii) **Tax Calculations**: income tax calculations including:
- the determination of the tax rate applied to the business;
- the impact of tax credits and other deductions; and
- the calculation of tax shield where appropriate;

iv) **Financing Costs**: interest expense and other financing costs, including the calculation thereof (e.g. rates, amounts, etc.) if not actual reported amounts;

v) **Sustaining Capital Reinvestments**: sustaining capital reinvestment and the Valuator's underlying supporting calculations and rationale;

vi) **Cash Flow Items**: significant cash flow items such as depreciation, amortization, depletion and deferred taxes;
vii) **Discount Rates, Multiples and Capitalization Rates**: a discussion of all relevant qualitative judgments used to calculate discount rates, multiples and capitalization rates; calculations and rationale underlying the capitalization rates selected by the Valuator; where comparable company trading or comparable transaction information is used, those companies or transactions considered most relevant by the Valuator should be specifically identified and information supporting their comparability disclosed (such as their financial size, profitability, relative growth prospects, financial leverage, nature of operations, etc.); if the Capital Asset Pricing Model is used, disclosure should include the risk-free rate, market risk premium, beta, growth rates and debt/equity structure assumed as well as market benchmark rates of return, betas of comparable companies and debt/equity ratios of comparable companies the Valuator considered in arriving at the inputs used in the valuation.

viii) **Sustainable Earnings / Cash Flow**: calculations (such as averaging, selected average or weighted averaging) used by the Valuator in determining sustainable earnings / cash flow to be capitalized and the rationale supporting the calculations; and

ix) **Summary Calculations**: a summary of the overall valuation calculations that sets out at least the sustainable earnings/cash flow to be capitalized, capitalization rates, capitalized values, the tax shield where appropriate, the addition of redundant asset value where applicable and the value result.

b) **Discounted Cash Flow Approach**

When the discounted cash flow approach is used, in addition to applicable items being disclosed as set out elsewhere herein, the Valuation Report should contain the following valuation calculation information:

i) **Forecast Assumptions**: key financial assumptions (such as sales growth rates, major expense reductions / increases, interest rates, tax rates, depreciation rates, etc.) and supporting rationale; major differences from assumptions used by management in preparing its forecast or projection should be identified and discussed;

ii) **Forecast Cash Flows**: for each forecast year, the following information, as applicable:
   - revenues;
   - operating profit;
   - interest expense;
   - depreciation, amortization and depletion;
   - current income taxes;
   - capital expenditures (reinvestment and, separately, expansionary);
- changes in working capital;
- cash flow;
- additional borrowings and/or other financings;
- loan repayments, if discounting leveraged cash flows; and
- lease payments, if discounting leveraged cash flows;

iii) **Terminal/Residual Value**: the rationale for determination of the terminal/residual value along with all relevant calculations and significant assumptions. If alternative methods were considered to be relevant, their calculations should be disclosed and the results compared. Where capitalization of earnings or cash flow is used, the amount to be capitalized should be separately disclosed in the forecast and the rationale and underlying empirical support for the capitalization rate (including the assumed growth rate) should be disclosed as described in 11 a) vii) above;

iv) **Discount Rates, Multiples and Capitalization Rates**: as described in 11 a) vii) above;

v) **Sensitivity Analysis**: a summary of the effect on discounted cash flow results from varying key assumptions, (such as the discount rate, commodity pricing and/or major operating assumptions); and

vi) **Summary Calculations**: a summary of the overall valuation calculations showing the discount rate(s), net present value of cash flows discounted, net present value of the terminal value and the value of redundant assets where applicable.

c) **Asset Based Approaches**

When asset based approaches are used, in addition to applicable items being disclosed as set out elsewhere herein, the Valuation Report should contain the following information:

i) **Fair Market Value of Assets and Liabilities**: where a going concern assumption is appropriate, the fair market value method of valuation and valuation calculations for each significant asset and liability (tangible, intangible and off-balance sheet) together with comparisons to their net book values;

ii) **Liquidation-Based Value of Assets and Liabilities**: where a liquidation-based valuation approach is appropriate, the liquidation values for each significant asset and liability together with all significant liquidation costs, all relevant assumptions and supporting data (e.g. selling or auction commissions, legal fees, administrative costs and operating losses, severance and vacation pay, tax costs of realization of
assets, tax costs to the corporation of distribution of net assets to shareholders, time value of money, etc.);

iii) **Summary**: a summary of the overall valuation calculations.

d) **Redundant Assets**

Each significant redundant asset should be separately identified with the rationale in support of its identification. Both the method of valuing the redundant asset as well as the valuation calculations should be disclosed as set out elsewhere herein. The financial impact, if any, on historical and projected income and cash flow statements should be disclosed. As relevant, the following type of information supporting the calculation of value should be disclosed:

- appraisal values, appraisal dates, and names of appraisers;
- estimated costs of disposition, if any;
- tax calculations (e.g. tax rates, capital gains, tax shield, etc.);
- interest rates; and
- financial ratios (such as current ratio; debt/equity ratios; etc.) used to determine excess or redundant leverage.

e) **Other Approaches**

Where other valuation methodologies are used, the Valuation Report should set out the rationale for using the methodologies and should contain a level of financial disclosure of such methodologies, including supporting empirical evidence, consistent with the level of financial disclosure set out herein.

f) **Prior Bona Fide Offers, Prior Valuations or Other Expert Reports**

Where prior bona fide offers or transactions involving the Company’s securities, prior valuations or other material expert reports were considered by the Valuator in connection with the Valuation Report, a discussion by the Valuator should be included regarding their relevance. Where the Valuation Report differs materially from any such prior valuation, an explanation of the material differences should be included if reasonably practical to do so.
g) **Distinctive Material Benefit**

The Valuation Report shall disclose any distinctive material benefit that might accrue to an interested party (as defined by the applicable Securities Regulation or Policies) as a consequence of the transaction and whether such benefit is reflected in the valuation conclusion.

h) **Valuation Conclusions**

The valuation ranges developed by the different methodologies used should be compared and discussed. The Valuator may choose to arrive at the overall conclusion of value based on a single valuation method, or some synthesis of the value conclusions determined under different methodologies. The Valuator should reconcile the results of different methodologies and discuss the reasoning in support of the final valuation conclusion.

June 17, 2009
Appendix B to Standard No. 110

Valuation for Financial Reporting (“VFR”)

Introduction

1. The objective of Appendix B is to set out the disclosure standards pertaining to valuation reports prepared pursuant to financial accounting standards for purposes of financial reporting (“VFR Valuation Reports”). For example, Chartered Business Valuators may be engaged to assist management of a reporting entity in determining the fair value of assets, liabilities and/or equity for financial reporting requirements. The values so determined may be reviewed and/or tested as part of an assurance engagement and may also be subject to review by various regulatory authorities.

2. This Appendix B to Practice Standard No. 110 applies to a Valuation Report that contains a conclusion as to value in respect of any asset, liability and/or equity and that is prepared for financial reporting purposes. In addition to the Practice Standards set out in this Appendix B to Practice Standard No. 110, VFR Valuation Reports must adhere to all other relevant Practice Standards.

3. VFR Valuation Reports are to be prepared in accordance with the applicable financial accounting standards and financial statement requirements. If the applicable financial accounting standards are in conflict with accepted valuation practice and/or methods, the applicable financial accounting standards should prevail in VFR engagements. Accordingly, Valuators undertaking VFR engagements should have an understanding of the accounting concepts and principles underlying the relevant financial accounting standards.

4. While it is not required that sufficient information be disclosed to enable the reader to perform his or her own independent valuation, a VFR Valuation Report should contain sufficient information including, narrative explanations, details of calculations and schedules to allow a reader to understand how the Valuator arrived at the conclusions expressed in the VFR Valuation Report. These disclosures should be consistent with the needs of the intended users of the VFR Valuation Report. Full disclosure of all relevant matters is fundamental to the disclosure standards pertaining to VFR Valuation Reports.

5. This Appendix B clarifies, complements and expands the report disclosure standards that are appropriate to VFR Valuation Reports, and is not intended to replace relevant financial accounting standards and/or requirements or the report disclosure standards and recommendations for Valuation Reports as set out in Practice Standard No. 110. Accordingly, while Practice Standard No. 110 applies to all Valuation Reports,
Appendix B applies only to Valuation Reports prepared for the purposes of a VFR engagement.

**General**

6. The following is the test of overall disclosure adequacy that should be applied to VFR Valuation Reports to which this Appendix B applies:

   *Disclosure should be sufficient to allow a reader to understand the basis of the valuation and to form a reasoned view on the conclusions reached.*

7. This Appendix B should not be viewed as an all inclusive list of required disclosures, but rather, as a guideline for the Valuator in exercising professional judgment to determine acceptable levels of disclosure. Where sub-lists of information are provided, they should be viewed as examples of the type and level of information that should be disclosed. There will be situations where certain items listed are not applicable and/or where other items that are not listed should be disclosed. The Valuator should consider the level of disclosure described herein when considering the appropriate level of disclosure in a VFR Valuation Report concerning matters not addressed in this Appendix B, but which may be important and/or relevant to the valuation conclusion.

8. The Practice Standards set out in this Appendix B relate to report disclosure requirements and do not relate to matters concerning financial accounting treatment or financial statement disclosure requirements.

9. This Appendix B is organized to review (i) the fundamental report disclosure standards that are common to all VFR engagements; and, (ii) the report disclosure standards that are specific to particular types of VFR engagements.

**Fundamental Information**

10. In addition to the requirements of Practice Standard No. 110, all VFR Valuation Reports shall, as a minimum, disclose the following information:

   i) A statement that the VFR Valuation Report has been prepared for financial reporting purposes;

   ii) Identification and description of the particular assets, liabilities and/or equity that are the subject of the VFR Valuation Report;

   iii) The specific parties that are the intended users of the VFR Valuation Report;
iv) A statement restricting the use of the VFR Valuation Report to the persons for whom the VFR Valuation Report was prepared, and only for the stated purpose;

v) Identification and description of the primary financial accounting standards pursuant to which the VFR Valuation Report was prepared;

vi) Definition of value used (Recommendation: a statement that the definition of value used may not be equivalent to other definitions of value as commonly used in other business valuation situations);

vii) The effective date of the valuation;

viii) The type of VFR Valuation Report being provided (i.e., Comprehensive, Estimate or Calculation Valuation Report); and,

ix) Identification of the key facts and/or assumptions made in arriving at the valuation conclusions, including information as to their source or basis to the extent possible.

Business Combinations and the Valuation of Intangibles

11. Purchase price allocations and valuation of tangible and intangible assets are typically required to be performed in circumstances such as: (i) an arm’s length acquisition; (ii) “fresh-start” accounting following a restructuring; and (iii) as part of an impairment test analysis.

12. VFR Valuation Reports prepared in the context of purchase price allocations generally provide a conclusion of fair value of acquired tangible and/or intangible assets and/or liabilities assumed. In relation to “fresh start” accounting, impairment test analysis, and in other circumstances, VFR Valuation Reports may provide a conclusion as to the value of assets or liabilities. In addition to the required disclosure of fundamental information, VFR Valuation Reports shall disclose relevant information such as:

i) Identity of the acquiring entity;

ii) The effective date for measurement;

iii) Nature and amount of purchase consideration. Where the Valuator has valued the purchase consideration, the basis of the valuation as well as approach and methods used, and key assumptions employed should be disclosed;
iv) If the Valuator was involved in identification of the assets acquired and/or liabilities assumed (Recommendation: the Valuator may consider disclosing the basis for the identification thereof);

v) Key terms and phrases having a technical meaning should be defined or explained;

vi) Valuation method(s) and reasons such method was selected; and,

vii) Significant or key assumptions made and the basis for selecting such assumption in the analysis of value of the assets acquired and/or liabilities assumed. Such assumptions would include, but are not limited to, the following (if relevant): (i) assumptions regarding economic life; (ii) assumptions regarding customer attrition; (iii) assumptions regarding technological change and migration; (iv) assumptions regarding contract renewal; (v) assumptions made to determine tax amortization benefits in respect of tangible and/or intangible assets; (vi) “market-participant” assumptions and/or “buyer-specific” assumptions and related adjustments, analysis and/or impact on the valuation analysis; (vii) assumptions regarding contributory asset charges; (viii) assumptions affecting discount rates; and (ix) assumptions regarding royalty rates.

**Impairment of Goodwill and Intangible Assets**

13. For financial reporting purposes, the accounting value (generally referred in accounting literature as carrying value or net book value) of goodwill and intangible assets is typically tested for impairment annually, or at other intervals required by the applicable financial accounting standards. VFR Valuation Reports prepared in the context of impairment testing generally provide a conclusion of fair value of reporting units and/or intangible assets. In addition to the required disclosure of fundamental information, VFR Valuation Reports shall disclose relevant information such as:

i) Reporting unit(s) and/or assets which are the subject of the VFR Valuation Report;

ii) The impairment test date;

iii) Carrying value of the asset(s) and/or reporting unit(s); 

iv) Definition or explanation of valuation and other terms and/or phrases having a technical meaning;

v) Valuation method(s) and reasons such method was selected;

vi) Significant and/or key assumptions made and the basis for such assumptions in the analysis of the value of the reporting unit(s) and/or
identifiable intangible assets. Such assumptions would include, but are not necessarily limited to, (if relevant): (i) assumptions regarding economic life; (ii) assumptions regarding customer retention or attrition; (iii) assumptions regarding technological change and migration; (iv) assumptions regarding contract renewal; (v) assumptions made to determine tax amortization benefits in respect of tangible and/or intangible assets; (vi) “market-participant” assumptions and/or “buyer-specific” assumptions and related adjustments, analysis and/or impact on the valuation analysis; and, (vii) assumptions regarding contributory asset charges;

vii) If applicable, an analysis of the aggregate value of the reporting unit(s) and/or discount/premium to market capitalization; and

viii) Where assets are grouped for the purposes of performing an impairment test, when determining value or when assessing the amount of impairment, the basis upon which assets are grouped should be disclosed.

February 26, 2010
Standard No. 120

Valuation Reports

Scope of Work Standards and Recommendations

1. A Valuation Report is defined as “any written communication containing a conclusion as to the value of shares, assets or an interest in a business, prepared by a Valuator acting independently.” A Valuation Report does not include work product that is in the process of being completed that is provided to a client or knowledgeable third party in circumstances where each of the following conditions are met: (i) the work product is clearly marked as being in draft form and subject to change; (ii) the work product is issued for the purpose of obtaining comment, instruction, confirmation or other information required to complete the Valuation Report; (iii) the Valuator knows, or reasonably ought to know, that the intended reader(s) does not intend to rely on the work product or distribute the work product to a third party who may in turn rely on such work product; and (iv) the Valuator has a reasonable expectation at the time the work product is provided that a Valuation Report will be completed and issued in due course.

2. At a minimum, for all Valuation Reports the following procedures set out in bold characters must be performed. “Recommendations” are not mandatory, but encouraged. “Explanatory comments” provide additional guidance in applying the specific provisions of the Standard.

3. General Standards

3.1 The following General Standards apply to all three types of Valuation Reports (i.e. Comprehensive, Estimate and Calculation Valuation Reports):

A. The Valuator shall obtain clear instructions from the person requesting the valuation, including the type of Valuation Report required. (Recommendation: the Valuator should assess the necessity of obtaining an engagement letter in each circumstance and, if no engagement letter is obtained, consider documenting the nature of the instructions received from the person requesting the valuation, including the type of Valuation Report required.)

B. The work shall be performed by a person or persons having adequate technical training and proficiency in financial analysis and/or business valuation concepts, principles and techniques, with due care and with an objective state of mind.
C. The work shall be adequately planned and properly executed. If assistants are employed, they shall be properly supervised.

D. Sufficient evidence shall be gathered by such means as inspection, inquiry, computation and analysis to ensure that the Valuation Report and the conclusion contained therein are properly supported. When determining the extent of evidence necessary to support the Valuation Report, Valuators shall exercise professional judgement, considering the nature of the valuation, the type of Valuation Report being provided (i.e. Comprehensive, Estimate or Calculation Valuation Report) and the use to which the Valuation Report will be put. (Explanatory comments: it is expected that the scope of review will be more comprehensive for a Comprehensive Valuation Report and progressively less comprehensive for an Estimate Valuation Report and a Calculation Valuation Report. It is a matter of professional judgment as to the amount of review appropriate for the type of Valuation Report being provided.)

E. The Valuator shall perform the work in accordance with the Practice Standards, Practice Bulletins and Code of Ethics of the Canadian Institute of Chartered Business Valuators.

F. When access to essential information is denied by the client or some other party, or is otherwise unavailable to the Valuator, any conclusion expressed by the Valuator in respect of such valuation shall be qualified and the limitation(s) on the scope of work clearly set out in the Valuation Report.

4. Specific Standards

4.1 The following Specific Standards apply to Comprehensive and Estimate Valuation Reports: (Recommendation: Valuators should consider applying the Specific Standards to Calculation Valuation Reports.)

A. When planning the extent of the scope of work for a particular engagement, the Valuator shall obtain:

i) Sufficient understanding of the subject of the valuation; (Explanatory comment: depending on the type of Valuation Report being provided, the Valuator should obtain and review material documentation, including agreements, contracts, letters of understanding, letters of intent and correspondence, which bear on the subject of the valuation)

ii) Sufficient understanding of the underlying business operations;
iii) **Sufficient financial information relating to past results, future prospects and present financial position:** *(Recommendation: depending on the type of Valuation Report being provided, the information to be obtained and analyzed will include prior years' operating results and cash flows, a current balance sheet, and future oriented financial information such as budgets, forecasts and projections)*

iv) **Sufficient understanding of the relevant industry(s) in which the underlying business operates:** *(Recommendation: depending on the nature of the mandate and on the type of Valuation Report being provided, this analysis might consider the following:*
- critical success factors;
- competitors and their respective market shares;
- industry regulations;
- new developments;
- environmental issues;
- trading volumes and price ranges of publicly traded shares; and
- comparable market transactions)*

v) **Sufficient information relating to the general economic conditions affecting the underlying business operations.** *(Explanatory comment: such information might normally consist of selected rates of return, inflation rates and other general economic indicators)*

B. **In performing the business valuation, the Valuator shall determine the appropriate valuation basis and approach to be employed.** *(Explanatory comment: the “valuation basis” refers to going concern or liquidation, whereas the “valuation approach” refers to income (earnings or cash flow methods), cost (adjusted net book value method) and market (comparable transactions method).)*

C. **The Valuator shall consider key valuation components and assumptions.** *(Explanatory comment: the key valuation components might include the following:*
- normalizing adjustments;
- capitalization rates;
- income tax issues;
- redundancy;
- minority and other discounts; and
- special purchasers.)*

D. **The Valuator shall consider the necessity of relying upon the work of a specialist,** for example real estate appraisers, engineers, or equipment
appraisers. (*Recommendation*: if it is deemed appropriate to request the assistance of a specialist, the Valuator should obtain reasonable assurance concerning the specialist's reputation for competence and degree of independence.) (*Explanatory comment*: the appropriateness and reasonableness of the assumptions and methods used by the specialist are the responsibility of the specialist. Ordinarily, the Valuator may accept the specialist's judgement and work in this regard unless the report of the specialist, the Valuator's communication with the specialist, or the Valuator's knowledge of the business being valued, lead the Valuator to believe that the specialist's assumptions or methods are unreasonable in the circumstances.)

E. **The Valuator shall determine the necessity of obtaining client representations in writing and, if possible, management representations from management or other representatives of the underlying business.** (*Recommendation*: such representations may be in letter format, and would normally include a general representation that the client/management:
- has reviewed a draft copy of the Valuation Report;
- is satisfied with the valuation concepts and approaches adopted; and
- does not have any information or knowledge which would reasonably be expected to materially affect the conclusion noted in the Valuation Report.)

June 17, 2009
Standard No. 130

Valuation Reports

File Documentation Standards and Recommendations

1. A Valuation Report is defined as “any written communication containing a conclusion as to the value of shares, assets or an interest in a business, prepared by a Valuator acting independently.” A Valuation Report does not include work product that is in the process of being completed that is provided to a client or knowledgeable third party in circumstances where each of the following conditions are met: (i) the work product is clearly marked as being in draft form and subject to change; (ii) the work product is issued for the purpose of obtaining comment, instruction, confirmation or other information required to complete the Valuation Report; (iii) the Valuator knows, or reasonably ought to know, that the intended reader(s) does not intend to rely on the work product or distribute the work product to a third party who may in turn rely on such work product; and (iv) the Valuator has a reasonable expectation at the time the work product is provided that a Valuation Report will be completed and issued in due course.

2. At a minimum, file documentation for a Valuation Report shall consist of the following items set out in bold characters. “Recommendations” are not mandatory, but encouraged. “Explanatory comments” provide additional guidance in applying the specific provisions of the Standard.

3. The following General and Specific Standards apply to all three types of Valuation Reports (i.e. Comprehensive, Estimate and Calculation Valuation Reports), unless otherwise indicated.

4. General Standards

   A. Work performed in the course of a valuation engagement shall be documented and files must be maintained in an organized manner.

   B. The form and extent of working papers shall suit the circumstances and needs of the engagement for which they are prepared and take into consideration the type of Valuation Report required.

   C. All documents and working papers evidencing the nature and extent of work performed shall be retained for a reasonable time following completion of the engagement.
D. The identities of the individual(s) performing the valuation engagement shall be documented.

5. Specific Standards

A. A copy of the final issued Valuation Report shall be retained on file.

B. When the Valuator has determined that an engagement letter is required, the engagement letter shall be retained on file. When no engagement letter has been received, the Valuator's file shall contain a summary of the nature and purpose of the mandate, including the nature of the instructions received from the person requesting the valuation and the type of Valuation Report required.

C. Summaries of key meetings, discussions and correspondence shall be retained on file.

D. The Valuator shall either retain on file, or have access to, information upon which he or she relied in conducting the engagement. (Recommendation: provided they are relevant to the conclusion, the following documents should normally be retained on file, or be summarized with the resulting summaries retained on file:

- any information that provides the Valuator with an understanding of the subject of the valuation and its underlying business operations, such as articles of incorporation, minutes, product information, resumes pertaining to management experience and qualifications, material agreements, and reports or studies on environmental issues;

- financial statements or a summary of historical operating results and financial position of the underlying business;

- future oriented financial information, such as financial projections, forecasts, and budgets, if available;

- information regarding the industry analysis performed, such as industry or trade publications, regulations, stock exchange listings, and comparable market transactions; and

- information regarding the general economic review performed.)

E. With respect to Comprehensive and Estimate Valuation Reports, the valuation approach and techniques selected shall be documented, along with the reasoning for selection. Key valuation components considered and valuation assumptions made shall also be documented. A copy of the valuation calculations, including all necessary explanations and supporting documentation, shall be retained on file. (Explanatory comment: this documentation standard will be met if this information is included in the Valuation Report itself.)
F. Where the work of a specialist is relied upon, the conclusions arrived at by the specialist shall be documented, and when a written report prepared by the specialist is obtained, a copy thereof shall be retained on file.

G. When the Valuator has determined that a client representations letter and/or a management representations letter is necessary, this (these) letter(s) shall be retained on file. When the representations letter(s) indicates that the client or management relied on a draft copy of the Valuation Report in order to make its representations, this draft copy shall be retained on file. When no representations letter has been received, the Valuator's file shall indicate why no such letter was obtained.

June 17, 2009
Standard No. 210

Advisory Reports

Report Disclosure Standards and Recommendations

1. Chartered Business Valuators may be retained as experts to provide advice to clients in situations where they are not engaged to render an independent Comprehensive Report, Estimate Report, Calculation Report of value or an Expert Report. In these circumstances, the Valuator/Expert is considered to be acting as an advisor to his/her client(s) and hence reports arising from such engagements are termed "Advisory Reports".

2. An Advisory Report is defined as “any written communication containing a conclusion as to the value of shares, assets, an interest in a business or as to the quantification of financial gain/loss (economic losses, loss of income/profits) prepared by a Valuator/Expert who has not been engaged to act independently.” An Advisory Report does not include work product that is in the process of being completed that is provided to a client or knowledgeable third party in circumstances where each of the following conditions are met: (i) the work product is clearly marked as being in draft form and subject to change; (ii) the work product is issued for the purpose of obtaining comment, instruction, confirmation or other information required to complete the Advisory Report; (iii) the Valuator/Expert knows, or reasonably ought to know, that the intended reader(s) does not intend to rely on the work product or distribute the work product to a third party who may in turn rely on such work product; and (iv) the Valuator/Expert has a reasonable expectation at the time the work product is provided that an Advisory Report will be completed and issued in due course.

3. In circumstances where the Valuator is engaged to provide an independent Comprehensive Report, Estimate Report or Calculation Report of value, the applicable standards for Valuation Reports (Standard #110) shall be followed.

4. In circumstances where the Expert is engaged to provide an independent Expert Report of financial gain or loss, the applicable standards for Expert Reports (Standard #310) shall be followed.

5. At a minimum, all Advisory Reports shall contain the following information, which is set out herein in bold characters.

6. For Advisory Reports where the Valuator/Expert has or should have a reasonable expectation that the report may become available to any party other than the addressee, the report shall contain a clear statement that the
Valuator/Expert is acting in an advisory capacity and has not been engaged to prepare an independent Comprehensive Report, an independent Estimate Report or an independent Calculation Report, as to the value of the shares, assets, interest in a business, or an independent Expert Report as to the quantification of financial gain/loss, as the case may be.

7. For Advisory Reports that, but for the fact that the Valuator is not acting independently, would otherwise be considered “Valuation Reports”, the applicable report disclosure standards for Valuation Reports (Standard #110) shall be followed.

8. For Advisory Reports that, but for the fact the Expert is not acting independently, would otherwise be considered “Expert Reports”, the applicable report disclosure standards for Expert Reports (Standard #310) shall be followed.

June 17, 2009
Standard No. 220

Advisory Reports

Scope of Work Standards and Recommendations

1. An Advisory Report is defined as “any written communication containing a conclusion as to the value of shares, assets, an interest in a business or as to the quantification of financial gain/loss (economic losses, loss of income/profits) prepared by a Valuator/Expert who has not been engaged to act independently.” An Advisory Report does not include work product that is in the process of being completed that is provided to a client or knowledgeable third party in circumstances where each of the following conditions are met: (i) the work product is clearly marked as being in draft form and subject to change; (ii) the work product is issued for the purpose of obtaining comment, instruction, confirmation or other information required to complete the Advisory Report; (iii) the Valuator/Expert knows, or reasonably ought to know, that the intended reader(s) does not intend to rely on the work product or distribute the work product to a third party who may in turn rely on such work product; and (iv) the Valuator/Expert has a reasonable expectation at the time the work product is provided that an Advisory Report will be completed and issued in due course.

2. For Advisory Reports that, but for the fact that the Valuator is not acting independently, would otherwise be considered “Valuation Reports”, the applicable scope of work standards for Valuation Reports (Standard #120) shall be followed.

3. For Advisory Reports that, but for the fact the Expert is not acting independently, would otherwise be considered “Expert Reports”, the applicable scope of work standards for Expert Reports (Standard #320) shall be followed.

June 17, 2009
Standard No. 230

Advisory Reports

File Documentation Standards and Recommendations

1. An Advisory Report is defined as “any written communication containing a conclusion as to the value of shares, assets, an interest in a business or as to the quantification of financial gain/loss (economic losses, loss of income/profits) prepared by a Valuator/Expert who has not been engaged to act independently.” An Advisory Report does not include work product that is in the process of being completed that is provided to a client or knowledgeable third party in circumstances where each of the following conditions are met: (i) the work product is clearly marked as being in draft form and subject to change; (ii) the work product is issued for the purpose of obtaining comment, instruction, confirmation or other information required to complete the Advisory Report; (iii) the Valuator/Expert knows, or reasonably ought to know, that the intended reader(s) does not intend to rely on the work product or distribute the work product to a third party who may in turn rely on such work product; and (iv) the Valuator/Expert has a reasonable expectation at the time the work product is provided that an Advisory Report will be completed and issued in due course.

2. For Advisory Reports that but for the fact that the Valuator is not acting independently would otherwise be considered “Valuation Reports”, the applicable file documentation standards for Valuation Reports (Standard #130) shall be followed.

3. For Advisory Reports that but for the fact the Expert is not acting independently would otherwise be considered “Expert Reports”, the applicable file documentation standards for Expert Reports (Standard #330) shall be followed.

June 17, 2009
Standard No. 310

Expert Reports

Report Disclosure Standards and Recommendations

1. Chartered Business Valuators may be retained as experts to provide their professional opinion as to the quantum of financial gain/loss or any conclusion of a financial nature in the context of litigation or a dispute. Such expert opinion is often requested in respect of claims arising from financial disputes such as corporate commercial matters, shareholder matters, securities litigation, personal injury matters, breach of contract, intellectual property infringement and income determination for family law purposes or other similar claims.

2. An Expert Report is defined as “any written communication other than a Valuation Report, containing a conclusion as to the quantum of financial gain/loss, or any conclusion of a financial nature in the context of litigation or a dispute, prepared by an Expert acting independently.” An Expert Report does not include work product that is in the process of being completed that is provided to a client or knowledgeable third party in circumstances where each of the following conditions are met: (i) the work product is clearly marked as being in draft form and subject to change; (ii) the work product is issued for the purpose of obtaining comment, instruction, confirmation or other information required to complete the Expert Report; (iii) the Expert knows, or reasonably ought to know, that the intended reader(s) does not intend to rely on the work product or distribute the work product to a third party who may in turn rely on such work product; and (iv) the Expert has a reasonable expectation at the time the work product is provided that an Expert Report will be completed and issued in due course.

3. A summary of an Expert Report shall be exempt from the following standards and/or recommendations provided that the summary clearly refers to the Expert Report.


5. At a minimum, all Expert Reports shall contain the following information, which is set out herein in bold characters. "Recommendations" are not mandatory but encouraged. "Explanatory comments" provide additional guidance in applying the specific provisions of the Standard.
6. Report Introduction

6.1 The Expert Report shall have an introduction that includes the following information:

A. To whom the Expert Report is being provided; (Explanatory comment: if not readily apparent from the addressee, the name of the party(ies) who engaged the Expert should be disclosed)

B. A statement of the nature of the mandate;

C. The effective date or time period of the Expert Report calculation(s);

D. The date of the Expert Report; (Explanatory comment: the Expert Report should be dated at the time when pertinent information was last obtained and analyzed, including information obtained from discussions with lawyers, client or other parties)

E. The purpose for which the Expert Report is being prepared; (Explanatory comment: the Expert may want to emphasize that the Expert Report is addressed to specific readers in specific circumstances, having specific needs and/or knowledge)

F. The name and firm of the Expert responsible for preparing the Expert Report; (Explanatory comment: this information may be disclosed elsewhere in the Expert Report, such as in the letterhead and/or on the signature page)

G. A statement that the Expert Report was prepared by the Expert acting independently and objectively; (Explanatory comment: in circumstances where a firm is responsible for preparing the Expert Report, this statement is in respect of the independence and objectivity of the person(s) who prepared the Expert Report and any assistants)

H. A statement that the Expert’s compensation is not contingent on an action or event resulting from the use of the Expert Report; and

I. A statement that the Expert Report has been prepared in conformity with the Practice Standards of The Canadian Institute of Chartered Business Valuators.

7. Report Definitions

7.1 The Expert Report shall contain a definition(s) for the quantum of financial gain/loss, or any conclusion of a financial nature in the context of litigation or a dispute.
8. Report Scope of review

8.1 The Expert Report shall contain a detailed scope of review that clearly identifies the specific information upon which the Expert relied to arrive at a conclusion. (Explanatory comment: such information might consist of the documents reviewed, the individuals interviewed, the facilities visited, other expert reports (including future-care cost studies, Valuation Reports, management consulting studies, etc.), management representations concerning budgets, projections and interim financial statements)

8.2 Where the conclusion is qualified by a scope limitation, the limitation shall be explained, setting out the reasons for the limitation and disclosure of the potential impact on the Expert’s conclusion. (Explanatory comment: to the extent that the scope of review has been significantly restricted, or information provided is substantially incomplete, the Expert shall determine if an unqualified conclusion can be provided. If the Expert Report is qualified because of a scope limitation, the details shall be fully disclosed)

9. Report disclosure

9.1 The Expert Report should provide sufficient information to allow the reader to understand how the Expert arrived at the conclusion expressed. (Explanatory comment: the amount of information included is a matter of professional judgment, based on the scope of review, the purpose for which the Expert Report is intended)

9.2 At a minimum, all Expert Reports that will (or likely will) be disclosed publicly (e.g. in open court, in a prospectus, etc.) shall include the following information: (Explanatory comment: when the Expert has been assured in writing that the Expert Report is to be restricted to review only by well informed parties to the dispute or their counsel and the Expert is of the opinion that the omission of one or more of the following would not render the Expert Report misleading, then the following points should be considered as recommendations which should be followed)

A. A description of the nature of the dispute and the events giving rise to the claim; (Explanatory comment: this would include a narrative description of the business/employment activities, a brief history of relevant events and a discussion of factors influencing the Expert Report calculation(s))

B. Where applicable, a description of the economic context and industry outlook bearing on the individual(s) and/or business(es) central to the Expert Report calculation(s), taking account of the past and foreseeable future as well as of the present;

C. A statement of the approach taken and techniques used, explaining the rationale for selecting a particular analytical technique and summarizing the
key areas considered when selecting the analytical approach and determining financial gain/loss or any conclusion of a financial nature; \textit{(Recommendation: the basic mechanics of the techniques should be outlined and appropriate definitions should be provided)}

D. \textbf{A description of the financial gain/loss, or other calculations relating to any conclusion of a financial nature,} explaining how each of the significant factors in the calculation(s) was developed and the rationale for each;

E. \textbf{Assumptions used and the procedures followed to determine the reasonableness and appropriateness of key assumptions;} \textit{(Explanatory comments:} the Expert should classify the assumptions used as: (i) those assumptions that the Expert is directed to take, that are not within his/her area of expertise; (ii) those assumptions made by the Expert, within his/her area of expertise and based on scope of work executed by him/her; and (iii) those assumptions that the Expert is directed to take on matters that are within his/her area of expertise, but where the Expert was not provided opportunity to execute a scope of work appropriate to add assurance to the assumption)\textit{)}

F. \textbf{Financial information.} \textit{(Explanatory comments:} comprising the most current (as close as possible to the effective date of the Expert Report calculation(s)) balance sheets, income/cash-flow statements or a summary thereof, tax returns and/or any other financial information central to the Expert Report calculation(s))\textit{)}

10. \textbf{Report Restrictions and Qualifications:}

10.1 \textbf{The Expert Report shall disclose any restrictions and qualifications that affect the Expert’s conclusion as follows:}

A. \textbf{A statement restricting the use of the Expert Report by the persons for whom the Report was prepared and only for the stated purpose;}

B. \textbf{A statement denying responsibility for losses resulting from any unauthorized or improper use of the Expert Report;} and

C. \textbf{A statement giving the Expert the right to make revisions and/or further support the conclusion under specified circumstances, such as when facts existing at the effective date become apparent to the Expert after the report is issued.} \textit{(Explanatory comment:} to the extent that the scope has been significantly restricted or information provided is incomplete, then the Expert must determine if an unqualified conclusion can be provided)\textit{)}
11. Conclusion

11.1 The Expert Report shall contain a conclusion as to the quantum of financial gain/loss or conclusion of a financial nature. The conclusion shall include a reference to the scope of review, key assumptions, any restrictions and/or qualifications in the Expert Report.

June 17, 2009
Standard No. 320

Expert Reports

Scope of Work Standards and Recommendations

1. An Expert Report is defined as “any written communication other than a Valuation Report, containing a conclusion as to the quantum of financial gain/loss, or any conclusion of a financial nature in the context of litigation or a dispute, prepared by an Expert acting independently.” An Expert Report does not include work product that is in the process of being completed that is provided to a client or knowledgeable third party in circumstances where each of the following conditions are met: (i) the work product is clearly marked as being in draft form and subject to change; (ii) the work product is issued for the purpose of obtaining comment, instruction, confirmation or other information required to complete the Expert Report; (iii) the Expert knows, or reasonably ought to know, that the intended reader(s) does not intend to rely on the work product or distribute the work product to a third party who may in turn rely on such work product; and (iv) the Expert has a reasonable expectation at the time the work product is provided that an Expert Report will be completed and issued in due course.


3. At a minimum, for an Expert Report the following procedures set out in bold characters must be performed. "Recommendations" are not mandatory but encouraged. "Explanatory comments" provide additional guidance in applying the specific provisions of the Standard.

4. General Standards

A. The work shall be performed by a person or persons having adequate technical training and proficiency in financial analysis and/or business valuation concepts, principles and techniques, with due care and with an objective state of mind.

B. The work shall be adequately planned and properly executed. If assistants are employed, they shall be properly supervised.

C. Sufficient evidence shall be gathered by such means as inspection, inquiry, computation and analysis to ensure that the Expert Report and the conclusion(s) contained therein are properly supported. When
determining the extent of evidence necessary to support the Expert Report, the Expert shall exercise professional judgment, considering both the nature of the Expert Report and the expected use to which it will be put.

D. The Expert shall perform the work in accordance with the Practice Standards, Practice Bulletins and Code of Ethics of the Canadian Institute of Chartered Business Valuators.

E. When access to essential information is denied by the client or some other party or is otherwise unavailable to the Expert, any conclusion expressed by the Expert in the Expert Report shall be qualified and the limitation(s) on the scope of work clearly set out in the Expert Report.

5. Specific Standards

A. The Expert shall obtain clear instructions from the person requesting the Expert Report. (Recommendation: the Expert should assess the necessity of obtaining an engagement letter in each circumstance and, if no engagement letter is obtained, consider documenting the nature of the instructions received from the person requesting the Expert Report.)

B. When planning the extent of scope of work for and performing a particular engagement, the Expert shall obtain:

i) Sufficient understanding of the subject of the Expert Report; (examples - a business interest, shares, financial gain/loss, etc.) (Explanatory comment: The Expert should obtain and review all material documentation, including pleadings, agreements, contracts, and letters of understanding, letters of intent, correspondence etc. which bear on the subject of the Expert Report.)

ii) Sufficient understanding of the nature of the dispute and the events giving rise to the claim;

iii) Where applicable, sufficient understanding of the economic context and industry outlook bearing on the individuals and/or business(es) central to the Expert Report calculation(s), taking into account the past, the present and the foreseeable future;

iv) Sufficient financial information relating to the dispute and/or claim. (Examples: financial statements, financial projections, forecasts, tax returns, sales journals, etc.).
C. In performing the Expert Report calculation(s), the Expert shall determine the appropriate approach and techniques to be employed.

D. The Expert shall consider key assumptions used and determine the reasonableness and appropriateness of key assumptions. (Explanatory comment: The Expert is not required to determine the reasonableness and appropriateness of assumptions that fall outside the Expert’s area of expertise. These assumptions may include facts to be proven in court and non-financial information presented by other specialists.)

E. The Expert shall consider the necessity of relying upon the work of a specialist (e.g. real estate appraiser, engineer, actuary, etc.). (Recommendations: If it is deemed appropriate to request the assistance of a specialist, the Expert should obtain reasonable assurance concerning the specialist's reputation for competence and degree of independence.) (Explanatory comment: The appropriateness and reasonableness of the assumptions and methods used by the specialist are the responsibility of the specialist. Ordinarily, the Expert may accept the specialist's judgement and work in this regard unless the report of the specialist, the Expert’s communication with the specialist or the Expert’s knowledge of the nature of the dispute and the events giving rise to the claim lead the Expert to believe that the specialist's assumptions or methods are unreasonable in the circumstances.)

F. The Expert shall determine the necessity of obtaining client representations in writing and, if possible, management representations from management or other representatives of the underlying business. (Recommendation: Such representations may be in letter format, and would normally include a general representation that the client/management:
- has reviewed a draft copy of the Expert Report; and
- does not have any information or knowledge which would reasonably be expected to affect materially the conclusion(s) noted in the Expert Report.)

June 17, 2009
Expert Reports

File Documentation Standards and Recommendations

1. An Expert Report is defined as “any written communication other than a Valuation Report, containing a conclusion as to the quantum of financial gain/loss, or any conclusion of a financial nature in the context of litigation or a dispute, prepared by an Expert acting independently.” An Expert Report does not include work product that is in the process of being completed that is provided to a client or knowledgeable third party in circumstances where each of the following conditions are met: (i) the work product is clearly marked as being in draft form and subject to change; (ii) the work product is issued for the purpose of obtaining comment, instruction, confirmation or other information required to complete the Expert Report; (iii) the Expert knows, or reasonably ought to know, that the intended reader(s) does not intend to rely on the work product or distribute the work product to a third party who may in turn rely on such work product; and (iv) the Expert has a reasonable expectation at the time the work product is provided that an Expert Report will be completed and issued in due course.


3. At a minimum, file documentation for an Expert Report shall consist of the following items which are set out in bold characters. "Recommendations" are not mandatory but encouraged. "Explanatory comments" provide additional guidance in applying the specific provisions of the Standard.

4. General Standards

   A. Work performed in the course of an Expert Report engagement shall be documented and files shall be maintained in an organized manner.

   B. The form and extent of working papers shall suit the circumstances and needs of the engagement for which they are prepared.

   C. All documents and working papers evidencing the nature and extent of work performed shall be retained for a reasonable time following completion of the engagement.
D. The identities of the individual(s) performing the Expert Report engagement shall be documented.

5. Specific Standards

A. A copy of the final issued Expert Report shall be retained on file.

B. When the Expert has determined that an engagement letter is required, it shall be retained on file. When no engagement letter has been received, the Expert's file shall contain a summary of the nature and purpose of the mandate, including the nature of the instructions received from the person requesting the Expert Report.

C. Summaries of key meetings, discussions and correspondence shall be retained on file.

D. The Expert shall either retain on file, or have access to, information upon which he or she relied when conducting the engagement. *(Recommendation: The following documents should normally be retained on file or be summarized with the resulting summaries retained on file:)*

i) Any information that provides the Expert with a sufficient understanding of the subject of the Expert Report, such as any documentation including pleadings, agreements, contracts, letters of understanding, letters of intent and correspondence which bear on the subject of the Expert Report;

ii) Information providing sufficient understanding of the nature of the dispute and the events giving rise to the claim;

iii) Where applicable, information providing sufficient understanding of the economic context and industry outlook bearing on the individuals and/or business(es) central to the Expert Report calculation(s), taking into account the past, the present and the foreseeable future;

iv) Financial information relating to the dispute and/or claim. *(Examples: financial statements, financial projections, forecast, tax returns, sales journals, etc.))*

E. The approach taken shall be documented along with the reasoning for its selection. *(Explanatory comment: this documentation standard will be met if this information is included in the Expert Report itself.)*

F. The specific techniques used shall be documented along with the reasoning for their selection. Key areas considered and key
assumptions made shall be documented. A copy of the calculations, including all necessary explanations and supporting documentation, shall be retained on file. (Explanatory comment: this documentation standard will be met if this information is included in the Expert Report itself.)

G. Where the work of a specialist was relied upon, the conclusions arrived at by the specialist shall be documented and when a written opinion or report prepared by the specialist is obtained, a copy thereof shall be retained on file.

H. When the Expert has determined that a client representations letter and/or a management representations letter is necessary, this (these) letter(s) shall be retained on file. When the representation letter(s) indicates that the client or management relied on a draft copy of the Expert Report in order to make its representations, this draft copy shall be retained on file. When no representations letter has been received, the Expert's file shall indicate why no such letter was obtained.

June 17, 2009
Standard No. 410

Limited Critique Reports

Report Disclosure Standards and Recommendations

1. Chartered Business Valuators may be retained as independent experts to provide comments on another report that contains a conclusion as to the value of shares, assets, or an interest in a business, or a conclusion as to the quantum of financial gain/loss, but where a conclusion is not provided by the reviewing Valuator. In these circumstances, reports arising from such engagements are termed “Limited Critique Reports”.

2. A Limited Critique Report is defined as “any written communication containing comments on a report that was prepared by a Member or non-Member containing a conclusion as to the value of shares, assets or an interest in a business, or a conclusion as to the quantum of financial gain/loss, or any conclusion of a financial nature in the context of litigation or a dispute (the “Original Report”), prepared by a Valuator (the “Reviewer”) that does not itself contain a valuation conclusion or conclusion as to the quantum of financial gain/loss, or any conclusion of a financial nature in the context of litigation or dispute.” A Limited Critique Report does not include work product that is in the process of being completed that is provided to a client or knowledgeable third party in circumstances where each of the following conditions are met: (i) the work product is clearly marked as being in draft form and subject to change; (ii) the work product is issued for the purpose of obtaining comment, instruction, confirmation or other information required to complete the Limited Critique Report; (iii) the Reviewer knows, or reasonably ought to know, that the intended reader(s) does not intend to rely on the work product or distribute the work product to a third party who may in turn rely on such work product; and (iv) the Reviewer has a reasonable expectation at the time the work product is provided that a Limited Critique Report will be completed and issued in due course.

3. At a minimum, a Limited Critique Report shall contain the following information, which is set out herein in bold characters. “Recommendations” are not mandatory, but encouraged. “Explanatory comments” provide additional guidance in applying the specific provisions of the Standard.
4. Report Introduction

4.1 The Limited Critique Report shall have an introduction that includes the following information:

A. To whom the Limited Critique Report is being provided;

B. A statement of the nature of the mandate, including the purpose of the Limited Critique Report and the identification of the Original Report being reviewed; *(Explanatory comment: this is to emphasize that the Limited Critique Report is addressed to specific readers in specific circumstances and having specific needs and knowledge)*

C. A description of the shares, assets or interests being valued, or a description of the dispute and the events giving rise to the quantum of financial gain/loss in the Original Report, and the valuation or quantification date in the Original Report; *(Recommendation: the description may simply refer to the Original Report where the Reviewer is reasonably satisfied that the Original Report is available to whom the Limited Critique Report is being provided)*

D. The date when pertinent information (including discussions with management or outsiders) was last obtained and analyzed;

E. If the Reviewer is not acting independently, a clear statement of the role and relationship of the Reviewer to one of the interested parties, and that the Reviewer has not been engaged to express independent comments; *(Recommendation: where appropriate, the Limited Critique Report should disclose that the Reviewer is acting in an advisory capacity)*

F. If the Reviewer has previously issued a Valuation, Advisory and/or an Expert Report containing a valuation conclusion of shares, assets or an interest in a business, or a conclusion as to the quantum of financial gain/loss (the “Initial Report”) dealing with the same subject matter as the Original Report now being reviewed, the identification of the Initial Report and a summary of its conclusions; and

G. The name of the firm responsible for preparing the Limited Critique Report, as well as the name of the Reviewer when the Limited Critique Report is prepared for litigation purposes. *(Explanatory comment: this information may be disclosed elsewhere in the Limited Critique Report, such as in the letterhead and/or on the signature page).*
5. Report Definitions

5.1 The Limited Critique Report shall contain definitions of the terms of value used in the Limited Critique Report (such as “fair market value”, “market value”, etc.) to the extent they are different from the Original Report, or a statement that the terms of value are the same as in the Original Report. *(Recommendation: unless self-evident, other terms and phrases with technical meaning should be defined or explained as they appear in the body of the Limited Critique Report, or refer to the definitions in the Original Report if the same definitions are assumed.)*

6. Report Scope of Review

6.1 The Limited Critique Report shall contain a scope of review, including a clear summary of the specific information which was reviewed and relied upon. *(Explanatory comment: a Limited Critique Report may not have the same scope as the Original Report, such as being limited to a review of the Original Report itself and certain other documents.)*

7. Report Disclosure

7.1 At a minimum, all Limited Critique Reports shall include a statement of the key assumptions made in making the Limited Critique Report comments to the extent they differ from those in the Original Report. *(Recommendation: the Reviewer should consider restating all key assumptions, even those that do not differ from those in the Original Report, and state whether the facts stated in the Original Report are being assumed to be complete or correct unless otherwise noted.)*

7.2 It is recommended that Limited Critique Reports also include the following information:

A. Comments on the approach and techniques used in the Original Report, as appropriate;

B. Comments on the strengths and weaknesses of differing positions on subjective matters, as appropriate;

C. Comments on the calculations contained in the Original Report, and statement of directional impact of differing calculations or assumptions on the Original Report’s conclusion, as appropriate; and

D. Comments on whether the opinion and analysis in the Original Report are suitable for the purpose at hand, with reasons and alternatives, as appropriate.
8. Report Restrictions and Qualifications

8.1 All Limited Critique Reports shall disclose any restrictions that affect the Reviewer’s comments, as noted below:

A. Where the Reviewer was limited in the scope of review or where information provided to the Reviewer was substantially incomplete, disclosure should be made of the limitation and of the incomplete information, the reasons given and the potential impact on the comments. (*Recommendation*: the Reviewer should assess whether the lack of access to relevant information is so significant as to limit his or her ability to issue the Limited Critique Report.)

B. The Limited Critique Report shall caution the reader that it does not contain a conclusion as to the value of shares, assets or an interest in a business, or a conclusion as to the quantum of financial gain/loss and does not contain all the adjustments, if any, the Reviewer may have found necessary to arrive at a conclusion on value or quantum of financial gain/loss. (*Explanatory comment*: a report containing, or that may reasonably be considered to contain, a conclusion as to the value of shares, assets or an interest in a business or a conclusion as to the quantum of financial gain/loss should be prepared according to Standards 110, 210 or 310, as appropriate.)

8.2 It is recommended that Limited Critique Reports also disclose any restrictions that affect the Reviewer’s comments, as noted below:

A. A statement restricting the use of the Limited Critique Report to the persons for whom it was prepared and only for the stated purpose;

B. A statement disclaiming responsibility for losses resulting from unauthorized or improper use of the Limited Critique Report;

C. A statement giving the Reviewer the right to make revisions and/or further support the comments under specified circumstances, such as when facts existing at the Limited Critique Report date become apparent to the Reviewer after the Limited Critique Report is issued; and

D. A statement cautioning the reader that selecting portions of the analysis, without considering all factors and analysis in the Limited Critique Report together, could result in the misinterpretation of comments and analysis concerning value, or the quantum of financial gain/loss. (*Explanatory comment*: the preparation of a Limited Critique Report is a complex process and components cannot be viewed in isolation.)
Labour Sponsored or Venture Capital Fund Valuation Reports

Report Disclosure Standards and Recommendations

Introduction

1. The Canadian Securities Administrators (“CSA”) have developed a nationally harmonized set of continuous disclosure requirements for investment funds. These requirements are set out in National Instrument 81-106 Investment Fund Continuous Disclosure (the “Rule”), Form 81-106F1 Contents of Annual and Interim Management Report of Fund Performance (the “Form”) and Companion Policy 81-106CP Investment Fund Continuous Disclosure (the “CP”).

2. In order to satisfy the independent valuation requirements of the Rule, Chartered Business Valuators may be retained by a Labour Sponsored or Venture Capital Fund (the “Fund”) to perform an independent review to assess whether or not the value of the venture investments or the net asset value of the Fund, as determined by the manager of the Fund or another party, is reasonable. In these circumstances, reports arising from such engagements are termed “Labour Sponsored or Venture Capital Fund Valuation Reports” (which, for ease of exposition, will hereafter be referred to as “Fund Reports”).

3. A Labour Sponsored or Venture Capital Fund means an investment fund that is:

   a) a labour sponsored investment fund corporation or a labour sponsored venture capital corporation under provincial legislation;

   b) a registered or proscribed labour sponsored venture capital corporation as defined in the Income Tax Act;

   c) an employee venture capital corporation (“EVCC”) that does not have a restricted constitution, and is registered under Part 2 of the Employee Investment Act (British Columbia), R.S.B.C. 1996 c. 112, and whose business objective is making multiple investments; or

4. A Fund Report is defined as “any written communication prepared by a Valuator containing a conclusion as to the reasonableness of the value of the venture investments or the net asset value of a Labour Sponsored or Venture Capital Fund as determined by a manager of the Fund or another party.” A Fund Report does not include work product that is in the process of being completed that is provided to a client or knowledgeable third party in circumstances where each of the following conditions are met: (i) the work product is clearly marked as being in draft form and subject to change; (ii) the work product is issued for the purpose of obtaining comment, instruction, confirmation or other information required to complete the Fund Report; (iii) the Valuator knows, or reasonably ought to know, that the intended reader(s) does not intend to rely on the work product or distribute the work product to a third party who may in turn rely on such work product; and (iv) the Valuator has a reasonable expectation at the time the work product is provided that a Fund Report will be completed and issued in due course.

5. Within this Appendix, the person(s) responsible for the initial valuation of the venture investments or net assets is referred to as the “Valuator”, and the person(s) responsible for reviewing and assessing the reasonableness of the initial valuation is referred to as the “Reviewer”.

6. At a minimum, a Fund Report shall contain the following information, which is set out herein in bold characters. “Recommendations” are not mandatory, but encouraged. “Explanatory comments” provide additional guidance in applying the specific provisions of the Standard.

7. Report Introduction

7.1 The Fund Report shall have an introduction that includes the following information:

A. To whom the Fund Report is being provided;

B. A statement of the nature of the mandate, including the identification of the Valuator and the fact that the Fund Report was prepared to satisfy the requirements of National Instrument 81-106;

C. A description of the interests being valued; (Explanatory comment: Pursuant to the Rule, the Fund can determine the value of either the venture investments of the Fund, the shares of the Fund or the net assets of the Fund.)

D. The effective date of the valuation performed by the Valuator;

E. Where applicable, a statement indicating that the Reviewer is also the Fund’s independent auditor;
F. The name of the firm responsible for preparing the Fund Report. (Explanatory comment: this information may be disclosed elsewhere in the Fund Report, such as in the letterhead and/or on the signature page).

8. Report Definition

8.1 The Fund Report shall contain definitions of the terms of value used (such as “current value”, “fair value”, “market value”, etc.), along with a statement as to whether these definitions are consistent with the Fund’s valuation policies.

9. Report Scope of Review

9.1 The Fund Report shall contain a scope of review, including a clear summary of the specific information that was reviewed and relied upon to arrive at the conclusion.

10. Report Disclosure

10.1 At a minimum, all Fund Reports shall include the value of the venture investments or net assets, as determined by the Valuator, along with the Reviewer’s conclusion as to whether or not said value is reasonable.

10.2 It is recommended that Fund Reports also include the following information:

A. Comments on the approach and techniques used by the Valuator to determine the value of the components which comprise venture investments or net assets of the Fund;

B. Comments on the approach and techniques used by the Reviewer to assess whether value, as determined by the Valuator, is reasonable;

C. A statement outlining the proportion of the venture investments that were reviewed in order to arrive at the conclusion.

11. Report Restrictions and Qualifications

11.1 All Fund Reports shall disclose any restrictions that affect the Reviewer’s comments, as noted below:

A. Where the Reviewer was limited in the scope of review or where information provided to the Reviewer was substantially incomplete, disclosure should be made of the limitation and of the incomplete information provided, the reasons given and the potential impact on the conclusion. (Recommendation: the Reviewer should assess whether
the lack of access to relevant information is so significant as to limit his or her ability to issue the Fund Report.)

June 17, 2009
Standard No. 420

Limited Critique Reports

Scope of Work Standards and Recommendations

1. A Limited Critique Report is defined as “any written communication containing comments on a report that was prepared by a Member or non-Member containing a conclusion as to the value of shares, assets or an interest in a business, or a conclusion as to the quantum of financial gain/loss, or any conclusion of a financial nature in the context of litigation or a dispute (the “Original Report”), prepared by a Valuator (the “Reviewer”) that does not itself contain a valuation conclusion or conclusion as to the quantum of financial gain/loss, or any conclusion of a financial nature in the context of litigation or dispute.” A Limited Critique Report does not include work product that is in the process of being completed that is provided to a client or knowledgeable third party in circumstances where each of the following conditions are met: (i) the work product is clearly marked as being in draft form and subject to change; (ii) the work product is issued for the purpose of obtaining comment, instruction, confirmation or other information required to complete the Limited Critique Report; (iii) the Reviewer knows, or reasonably ought to know, that the intended reader(s) does not intend to rely on the work product or distribute the work product to a third party who may in turn rely on such work product; and (iv) the Reviewer has a reasonable expectation at the time the work product is provided that a Limited Critique Report will be completed and issued in due course.

2. At a minimum, for all Limited Critique Reports the following procedures set out in bold characters must be performed. “Recommendations” are not mandatory, but encouraged. “Explanatory comments” provide additional guidance in applying the specific provisions of the Standard.

3. General Standards

3.1 The following General Standards apply to all Limited Critique Reports:

A. The work shall be performed by a person or persons having adequate technical training and proficiency in financial analysis and/or business valuation concepts, principles and techniques, with due care and with an objective state of mind.
B. The work shall be adequately planned and properly executed. If assistants are employed, they shall be properly supervised by a Member.

C. Sufficient evidence shall be gathered by such means as inspection, inquiry, computation and analysis to ensure that the comments in the Limited Critique Report are properly supported. When determining the extent of evidence necessary to support the Limited Critique Report, Reviewers shall exercise professional judgment, considering both the nature of the Limited Critique Report and the use to which the Limited Critique Report will be put.

D. The Reviewer shall perform the work in accordance with the Code of Ethics of the Canadian Institute of Chartered Business Valuators.

E. When access to essential information is denied by the client or some other party, or is otherwise unavailable to the Reviewer, any comments rendered by the Reviewer in respect of such Limited Critique Report shall be qualified and clearly set out as a limitation in the scope of work. (Recommendation: the Reviewer should assess whether the lack of access to relevant information is so significant as to limit their ability to issue the Limited Critique Report.)

4. Specific Standards

4.1 The following Specific Standards apply to all Limited Critique Reports:

A. The Reviewer shall obtain clear instructions from the person requesting the Limited Critique Report; (Recommendation: the Reviewer should assess the necessity of obtaining an engagement letter in each circumstance) and

B. When planning the extent of the scope of work for a particular engagement, the Reviewer shall obtain:

i) Sufficient understanding of the subject of the Limited Critique Report (examples - a business interest, shares, debt instrument, etc.); (Explanatory comment: the Reviewer does not necessarily need to obtain and review all material documentation referred to in the Original Report) and

ii) Sufficient understanding of the underlying business operations.

June 17, 2009
Standard No. 430

Limited Critique Reports

File Documentation Standards and Recommendations

1. A Limited Critique Report is defined as “any written communication containing comments on a report that was prepared by a Member or non-Member containing a conclusion as to the value of shares, assets or an interest in a business, or a conclusion as to the quantum of financial gain/loss, or any conclusion of a financial nature in the context of litigation or a dispute (the “Original Report”), prepared by a Valuator (the “Reviewer”) that does not itself contain a valuation conclusion or conclusion as to the quantum of financial gain/loss, or any conclusion of a financial nature in the context of litigation or dispute.” A Limited Critique Report does not include work product that is in the process of being completed that is provided to a client or knowledgeable third party in circumstances where each of the following conditions are met: (i) the work product is clearly marked as being in draft form and subject to change; (ii) the work product is issued for the purpose of obtaining comment, instruction, confirmation or other information required to complete the Limited Critique Report; (iii) the Reviewer knows, or reasonably ought to know, that the intended reader(s) does not intend to rely on the work product or distribute the work product to a third party who may in turn rely on such work product; and (iv) the Reviewer has a reasonable expectation at the time the work product is provided that a Limited Critique Report will be completed and issued in due course.

2. At a minimum, file documentation for a Limited Critique Report shall consist of the following items set out in bold characters. “Recommendations” are not mandatory, but encouraged. “Explanatory comments” provide additional guidance in applying the specific provisions at the Standard.

3. General Standards

3.1 The following General Standards apply to all Limited Critique Reports:

A. Work performed in the course of a Limited Critique Report engagement shall be documented and files shall be maintained in an organized manner;

B. The form and extent of working papers shall suit the circumstances and needs of the engagement for which they are prepared;
C. All documents and working papers evidencing the nature and extent of work performed shall be retained for a reasonable time following completion of the engagement; and

D. The identities of the individual(s) performing the Limited Critique Report engagement shall be documented.

4. Specific Standards

4.1 The following Specific Standards apply to all Limited Critique Reports:

A. A copy of the final issued Limited Critique Report shall be retained on file;

B. When the Reviewer has determined that an engagement letter is required, the engagement letter shall be retained on file. When no engagement letter has been received, the Reviewer's file shall include a summary of the nature and purpose of the mandate;

C. Summaries of key meetings, discussions and correspondence shall be retained on file; and

D. The Reviewer shall either retain on file, or have access to, information upon which he/she relied when conducting his/her review. At a minimum, a copy of the Original Report should be retained on file.

July 17, 2009
Standard No. 510

Fairness Opinions

Disclosure Standards and Recommendations

1. Chartered Business Valuators may be retained to provide a conclusion as to the fairness of a proposed transaction to security holders (or to a group of security holders), from a financial point of view. In these circumstances, written communications arising from such engagements are termed “Fairness Opinions”.

2. A Fairness Opinion is defined as “any written communication containing a conclusion as to the fairness of a proposed transaction to security holders (or a group of security holders), from a financial point of view.” A Fairness Opinion does not include work product that is in the process of being completed that is provided to a client or knowledgeable third party in circumstances where each of the following conditions are met: (i) the work product is clearly marked as being in draft form and subject to change; (ii) the work product is issued for the purpose of obtaining comment, instruction, confirmation or other information required to complete the Fairness Opinion; and (iii) the Fairness Opinion issuer knows, or reasonably ought to know, that the intended reader(s) does not intend to rely on the work product or distribute the work product to a third party who may in turn rely on such work product.

3. Fairness Opinions are routinely used by boards of directors to satisfy their fiduciary duties to act with due care and in an informed manner with respect to the fairness, from a financial point of view, of a proposed transaction. A Fairness Opinion, or information about it, is often provided to shareholders as a part of the proxy materials.

4. A Fairness Opinion should outline specifically the subject matter of the conclusion, how it relates to the proposed transaction and all material assumptions and limitations. The particular facts of a proposed transaction may affect the degree to which the Fairness Opinion issuer will consider the transaction to be fair, from a financial point of view. Although the consideration being offered in a proposed transaction may be within a range of values determined to be fair, circumstances particular to the proposed transaction may lead the Fairness Opinion issuer to be of the view that other preferable alternatives exist other than what has been proposed. In essence, the range of values as determined may only comprise one of the factors that the Fairness Opinion issuer considered in the particular circumstances.

5. The disclosure requirements of this Standard should not be viewed as an all inclusive list of required disclosure but rather as a guideline for the Fairness
Opinion issuer in exercising professional judgment to determine acceptable disclosure. There will be situations where certain items listed are not applicable or where other items that are not listed should be disclosed. The Fairness Opinion issuer should consider the level of disclosure described herein when considering the appropriate level of disclosure in a Fairness Opinion concerning matters or factors not specifically addressed herein but that are significant in reaching a fairness conclusion.

6. Reference to the Fairness Opinion issuer includes his/her firm, partnership or corporation.

7. At a minimum, a Fairness Opinion shall contain the following information, which is set out herein in bold characters. “Recommendations” are not mandatory, but encouraged. “Explanatory comments” provide additional guidance in applying the specific provisions of the Standard.

8. Fairness Opinion Disclosure

8.1 The Fairness Opinion shall provide sufficient information to allow the reader to understand how the Fairness Opinion issuer arrived at the conclusion expressed; (Explanatory comment: the amount of information included and the manner of disclosure is a matter of professional judgment, based on the scope of review and the purpose for which the Fairness Opinion is intended).

8.2 The Fairness Opinion shall contain the disclosures as noted below:

A. To whom the Fairness Opinion is being provided; (Explanatory comment: if not readily apparent from the addressee, the name of the party who engaged the Valuator should be disclosed);

B. A description of the proposed transaction and the consideration being offered to the security holders (or to a group of security holders);

C. The purpose of the Fairness Opinion;

D. The identity and credentials of the Fairness Opinion issuer;

E. A description of any past, present or anticipated relationship between the Fairness Opinion issuer and any interested party which may be relevant to the Fairness Opinion issuer’s independence for purposes of providing the Fairness Opinion;

F. The effective date of the Fairness Opinion;

G. A statement that the Fairness Opinion was prepared by the Fairness Opinion issuer acting independently and objectively or facts that might
result in the possible actual or perceived lack of independence and objectivity; (Recommendation: consideration should be given to any past, present or anticipated relationship between the Fairness Opinion issuer and any interested party which may be relevant to the Fairness Opinion issuer’s independence and objectivity for purposes of providing the Fairness Opinion) (Explanatory comment: in circumstances where a firm is responsible for preparing the Fairness Opinion, this statement is in respect of the independence and objectivity of the person(s) who prepared the Fairness Opinion and any assistants);

H. A description of the relevant business, assets or securities sufficient to allow the reader to understand the rationale of the Fairness Opinion and the approach and various factors influencing financial fairness that were considered;

I. A statement that the Fairness Opinion issuer’s compensation is not contingent on an action or event resulting from the use of the Fairness Opinion or disclose the nature of the actual or perceived contingent consideration;

J. A statement that the Fairness Opinion has been prepared in conformity with the Practice Standards of The Canadian Institute of Chartered Business Valuators; (Recommendation: a Fairness Opinion prepared in conformity with the requirements of relevant securities legislation, regulation or policies should also meet the disclosure requirements of such legislation, regulation or policies.);

K. The Fairness Opinion shall contain a description of the scope of the review conducted; including a summary of the type of information reviewed and relied upon;

L. A description of any valuation work performed or relied upon in support of the Fairness Opinion’s conclusions;

M. A discussion of any bona fide offer or prior valuation or other material expert report considered by the Fairness Opinion issuer in coming to the Fairness Opinion’s conclusions;

N. A statement of the key assumptions made; and

O. A discussion of the factors considered to be important by the Fairness Opinion issuer in performing the Fairness Opinion analysis.

8.3 A Fairness Opinion shall disclose any restrictions that affect the fairness conclusion, as noted below:
A. Where the Fairness Opinion issuer was limited in the scope of review or where information provided to the Fairness Opinion issuer was substantially incomplete, disclosure should be made of the limitation and of the incomplete information, reasons given and the potential impact of such limitation on the Fairness Opinion conclusions; and

B. Any qualifications or limitations to which the Fairness Opinion is subject.

8.4 It is recommended that Fairness Opinions also disclose any restrictions that affect the Fairness Opinion conclusion, as noted below:

A. A statement restricting the use of the Fairness Opinion to the persons for whom it was prepared and only for the stated purpose; and

B. A statement disclaiming responsibility for losses resulting from unauthorized or improper use of the Fairness Opinion.

8.5 The Fairness Opinion shall contain a conclusion as to fairness of the proposed transaction to the security holders (or to a group of security holders), from a financial point of view. (Recommendation: the conclusion should include a reference to the scope of review, key assumptions relied upon, and any restrictions and/or qualifications in the Fairness Opinion.).

February 26, 2010
Fairness Opinions

Scope of Work Standards and Recommendations

1. A Fairness Opinion is defined as “any written communication containing a conclusion as to the fairness of a proposed transaction to security holders (or to a group of security holders), from a financial point of view.” A Fairness Opinion does not include work product that is in the process of being completed that is provided to a client or knowledgeable third party in circumstances where each of the following conditions are met: (i) the work product is clearly marked as being in draft form and subject to change; (ii) the work product is issued for the purpose of obtaining comment, instruction, confirmation or other information required to complete the Fairness Opinion; and (iii) the Fairness Opinion issuer knows, or reasonably ought to know, that the intended reader(s) does not intend to rely on the work product or distribute the work product to a third party who may in turn rely on such work product.

2. At a minimum, the following procedures set out in bold characters must be performed in providing a Fairness Opinion. “Recommendations” are not mandatory, but encouraged. “Explanatory comments” provide additional guidance in applying the specific provisions of the Standard.

3. General Standards

A. The work shall be performed by a person or persons having adequate technical training and proficiency in financial analysis and/or business valuation concepts, principles and techniques, with due care and an objective state of mind;

B. The work shall be adequately planned and properly executed. If assistants are employed, they shall be properly supervised;

C. Sufficient evidence shall be gathered by such means as inspection, inquiry, computation and analysis to ensure that the Fairness Opinion and the conclusion(s) contained therein are properly supported. When determining the extent of evidence necessary to support the Fairness Opinion, the Fairness Opinion issuer shall exercise professional judgment, considering both the nature of the Fairness Opinion and its expected use;
D. **The Fairness Opinion** issuer shall perform the work in accordance with the Practice Standards and Code of Ethics of The Canadian Institute of Chartered Business Valuators; *(Recommendation: a Fairness Opinion prepared in conformity with the requirements of relevant securities legislation, regulation or policies should also meet the scope of work and procedural requirements of such securities legislation, regulation or policies); and*

E. **When access to essential information is denied by the client or some other party or is otherwise unavailable to the Fairness Opinion issuer, any conclusion expressed by the Fairness Opinion issuer shall be qualified and the limitation(s) on the scope of work clearly set out in the Fairness Opinion.**

4. **Specific Standards**

A. **The Fairness Opinion** issuer shall obtain clear instructions from the party(s) requesting the Fairness Opinion; *(Recommendation: the Fairness Opinion issuer should obtain an engagement letter in each circumstance and, if no engagement letter is obtained, consider documenting the nature of the instructions received from the party(s) requesting the Fairness Opinion.);**

B. **When planning the extent and scope of work for and performing a particular engagement, the Fairness Opinion issuer shall obtain:**

   i) **Sufficient understanding of the subject of the Fairness Opinion;**

   ii) **Where applicable, sufficient understanding of the economic context and industry outlook bearing on the subject of the Fairness Opinion.**

C. **In performing the Fairness Opinion analysis, the Fairness Opinion issuer shall determine the appropriate approach and techniques to be employed;**

D. **The Fairness Opinion** issuer shall consider key assumptions used and determine the reasonableness and appropriateness of key assumptions; *(Explanatory comment: the Fairness Opinion issuer is not required to determine the reasonableness and appropriateness of assumptions that fall outside of the Fairness Opinion issuer’s area of expertise; however, the Fairness Opinion issuer should have regard to section 4E of this Standard 520 as to reliance on specialists and section 8.3B of Standard 510 as to disclosing qualifications and limitations.);**

E. **The Fairness Opinion** issuer shall consider the necessity of relying upon the work of a specialist; *(Recommendation: if it is appropriate for the Fairness Opinion issuer to rely on the work of a specialist, the Fairness Opinion issuer should obtain reasonable assurance concerning the specialist’s**
reputation for competence and degree of independence.) \(\text{(Explanatory comment: the appropriateness and reasonableness of the assumptions and methods used by the specialist are the responsibility of the specialist. Ordinarily, the Fairness Opinion issuer may accept the specialist’s judgment and work in this regard unless the Fairness Opinion issuer is of the view that the specialist’s assumptions or methods are unreasonable in the circumstances.)};\) and

F. **The Fairness Opinion issuer shall determine the necessity of obtaining client representation in writing and, if possible, representations from management or other representatives of the underlying business(es).** \(\text{(Recommendation: such representations may be in letter format, and would normally include a general representation that the client/management (i) has reviewed a draft copy of the Fairness Opinion; and (ii) does not have any information or knowledge which would reasonably be expected to affect materially the conclusion(s) noted in the Fairness Opinion.)}\)

February 26, 2010
The Canadian Institute of Chartered Business Valuators

Standard No. 530

Fairness Opinions

File Documentation Standards and Recommendations

1. A Fairness Opinion is defined as “any written communication containing a conclusion as to the fairness of a proposed transaction to security holders (or a group of security holders), from a financial point of view.” A Fairness Opinion does not include work product that is in the process of being completed that is provided to a client or knowledgeable third party in circumstances where each of the following conditions are met: (i) the work product is clearly marked as being in draft form and subject to change; (ii) the work product is issued for the purpose of obtaining comment, instruction, confirmation or other information required to complete the Fairness Opinion; and (iii) the Fairness Opinion issuer knows, or reasonably ought to know, that the intended reader(s) does not intend to rely on the work product or distribute the work product to a third party who may in turn rely on such work product.

2. At a minimum, file documentation for a Fairness Opinion shall consist of the following items set out in bold characters. “Recommendations” are not mandatory, but encouraged. “Explanatory comments” provide additional guidance in applying the specific provisions of the Standard.

3. General Standards

   A. Work performed in the course of a Fairness Opinion engagement shall be documented and files shall be maintained in an organized manner;

   B. The form and extent of working papers shall suit the circumstances and needs of the engagement for which they are prepared;

   C. All documents and working papers evidencing the nature and extent of work performed shall be retained for a reasonable time following completion of the engagement; and

   D. The identities of the individual(s) performing the Fairness Opinion engagement shall be documented.
4. Specific Standards

A. A copy of the final issued Fairness Opinion shall be retained on file;

B. When the Fairness Opinion issuer has determined that an engagement letter is required, it shall be retained on file. When no engagement letter has been received, the Fairness Opinion issuer’s file shall contain a summary of the nature and purpose of the mandate, including the nature of the instructions received from the person requesting the Fairness Opinion;

C. Summaries of key meetings, discussions and correspondence shall be retained on file;

D. The Fairness Opinion issuer shall either retain on file, or have access to, information upon which he or she relied when conducting the engagement; (Recommendation: the following documents should normally be retained on file:

   i) Any information that provides the Fairness Opinion issuer with a sufficient understanding of the subject of the Fairness Opinion;

   ii) Where applicable, information providing sufficient understanding of the economic context and industry outlook bearing on the subject of the Fairness Opinion.)

E. The approach taken shall be documented along with the reasoning for its selection; (Explanatory comment: this documentation standard will be met if this information is included in the Fairness Opinion itself.);

F. The specific techniques used shall be documented along with the reasoning for their selection. Key areas considered and key assumptions made shall be documented. A copy of the calculations, including all necessary explanations and supporting documentation, shall be retained on file. (Explanatory comment: this documentation standard will be met if this information is included in the Fairness Opinion itself.);

G. Where the work of a specialist was relied upon, the conclusions arrived at by the specialists shall be documented and when a written opinion or report prepared by the specialist is obtained, a copy thereof shall be retained on file; and

H. When the Fairness Opinion issuer has determined that a client representation letter and/or a management representation letter is necessary, this (these) letter(s) shall be retained on file. When the representation letter(s) indicates that the client or management relied on
a draft copy of the Fairness Opinion in order to make its representations, this draft copy shall be retained on file. When no representation letter has been received, the Fairness Opinion issuer’s file shall indicate why no such letter was obtained.

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