

The Canadian Institute of Chartered Business Valuators

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.)

June 17, 2009