

PRACTICE BULLETIN NO. 1

GUIDANCE ON LIMITED CRITIQUE REPORTS

1. This practice bulletin provides clarification on the distinction between Limited Critique Reports and other types of reports. Limited Critique Reports are fundamentally different than Valuation Reports or Expert Reports in that they do not 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, as the case may be.
2. Limited Critique Reports arise from an engagement where a Valuator is retained to provide comments on another report. The provision of conclusions in a Limited Critique Report is not permitted by Practice Standard No. 410.
3. The following is a summary of the various definitions set out in the Practice Standards as to what comprises Valuation Reports, Expert Reports and Limited Critique Reports:

Practice Standard No. 110 defines a Valuation Report 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.”

Practice Standard No. 410 defines a Limited Critique Report 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 financial nature in the context of litigation or dispute.”

4. Valuators/Experts should carefully consider the substance and effect of any comments contained in a Limited Critique Report to ensure that such communication does not contain, or may reasonably be considered to 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.
5. For example, a Limited Critique Report may comment that a particular element (or elements) of value or gain/loss determination used in the report being critiqued contains a

mathematical error in its derivation or application. The Valuator/Expert may or may not choose to illustrate the impact of the observed error on the value or gain/loss conclusion contained in the report being critiqued. If the Valuator/Expert does choose to provide such an illustration, it should be clearly stated and that it does not constitute a conclusion as to value or financial gain/loss.

6. However, the Valuator/Expert preparing the Limited Critique Report cannot then conclude that, after correction of the observed mathematical error, the resulting value or gain/loss conclusion contained in the report being critiqued is appropriate.
7. If the comments presented, or their application, may reasonably be considered to be a conclusion as to the value of shares, assets or an interest in a business, the quantum of financial gain/loss or a conclusion of a financial nature in the context of litigation or dispute, then the Practice Standards pertaining to Limited Critique Reports are not appropriate. In such circumstances, the Practice Standards pertaining to Valuation Reports or Expert Reports, as the case may be, are applicable.
8. While Practice Standard No. 410 pertaining to Limited Critique Reports requires that such report caution the reader that it does not contain all the adjustments necessary for the preparer of the Limited Critique Report to arrive at a conclusion on value or quantum of financial gain/loss, such cautionary statements do not permit the Valuator/Expert to avoid the necessity of following the Practice Standards that pertain to Valuation Reports or Expert Reports, as the case may be.

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