

Standard No. 520

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 Valuers;** (*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.) (*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).** (*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