June 2, 2007

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Subject: Improved Communication with Non-GAAP Financial Measures
General Principles and Guidance for Reporting EBITDA and Free Cash Flow

Mr. Hicks:

The Canadian Advocacy Council of CFA Institute Canadian Societies (CAC)[1] is pleased to respond to the request for comments dated February 2008, where CICA's Canadian Performance Reporting Board (CPRB) invited comments on "Improved Communication with Non-GAAP Financial Measures".

General Comments

CAC supports the conclusions; and confirms the benefits of more consistent disclosure.

1. *Is the measure comparable between entries and consistent from period to period?*

As many users of financial information (analysts, investors) rely on aggregation services or data providers such as Bloomberg, Worldscope, Reuters, and DataStream more frequently in order to minimize their time spent on data input; comparability and consistency are important qualities of any measure. Often users will look to these sources and information published by issuers as a "high-level" screen in their initial selection, and then complete their detailed financial analysis on only a few targeted companies.

2. *How and why does the entity-specific measure vary from the standardized measure?*

All financial analysis has an element of judgment. For example, at some issuers, whether capital expenditures or dividends are truly discretionary is somewhat subjective. Therefore it is imperative that users are able to easily and quickly reconcile non-GAAP measures to GAAP statements.

[1] The CAC represents the 12 Canadian member societies of the CFA Institute constituting over 11,000 members who are active in Canada's capital markets. Members of the CAC consist of portfolio managers, investment analysts, corporate finance professionals, and other capital markets participants. The CAC has been charged by Canada's CFA Institute member societies to review Canadian regulatory, legislative and standard setting activities.

3. *What other information is necessary to understand the non-GAAP financial measures?*

Additional management explanations should be in plain English, plainly stating why a particular entity-specific measure is appropriate and how it is currently utilized by management in their ongoing analysis of the operation.

Specific Comments

CAC agrees with the use of a standard definition with “adjustments” to provide information from “managements’ eyes”. From a user’s perspective, it is the items adjusted and the rationale behind these adjustments that is as important as the result of the adjustments.

CAC would like disclosure of important Non-GAAP measures used internally by management, for example, measures of debt covenants or management compensation targets would provide specific insight to users as to the motivation of management.

CAC agrees that the definition of EBITDA should be E-B-I-T-D-A. While the definition of Free Cashflow is less standardized among users, the definition proposed by the CPRB is acceptable.

The terms “EBITDA” and “Free Cashflow” should only be used for disclosure when the measure is the standardized versions. Therefore the only terms used for disclosure would be EBITDA or Adjusted EBITDA.
EBITDA is most useful as valuation method and is not a proxy for cashflow from operations as outlined on the Statement of Cash Flows. Substitution of cash flow information for EBIDTA should be discouraged.
Stock-based compensation should never be added back to EBITDA even if management believed that it would be appropriate to do so.

Summary

We thank you for the opportunity to provide the foregoing comments. We are supporting of better guidance for non-GAAP measures. We welcome any questions you might have, please contact us at chair@cfaadvocacy.ca.

Regards,

Blair Carey, CFA

Chair