

# **Income Trust Conversions Expected to Reduce Payouts and Increase M&A, survey indicates**

*Communicating strategy to investors a priority issue for trust executives*

**Toronto, Ontario – January 19, 2010** – An overwhelming majority of Canadian income trust executives expect reduced cash distributions to investors will follow the implementation of federal tax changes at the end of this year and two-thirds anticipate an increased level of merger and acquisition activity in the sector, a Harris/Decima survey indicates.

The survey was conducted on behalf of investor relations consultants BarnesMcInerney Inc., law firm Stikeman Elliott LLP and transfer agents/proxy solicitors Computershare/Georgeson. A summary of the survey results and additional information for income trusts are available at [www.trustconversion.com](http://www.trustconversion.com).

With approximately 165 income trusts currently operating in Canada set to lose their tax advantage as new legislation comes into effect on January 1, 2011, and conversion to a corporation a likely option for most trusts, Harris/Decima surveyed 82 C-level trust executives by telephone during late November and early December 2009.

Notable results from the survey include:

- 84 percent of trust executives expect that conversion to a corporation will trigger a reduction in distributions/dividends currently paid to investors
- Two-thirds (67 percent) of executives expect increased M&A activity in the trust sector leading up to January 1, 2011
- 59 percent believe that explaining distribution/dividend sustainability and demonstrating a clear strategy are the most significant communication challenges
- Half (49 percent) of respondents see no change in market valuations for converting trusts, with 65 percent expecting a modest turnover in their investor base and 29 percent expecting significant turnover.

“In directing trust conversions, boards will have to select a dividend policy which will typically be based on a mix of factors, including expected free cash flow, tax pool availability, a balancing of where the company wants to fit on the growth vs. steady-state continuum, and the nature of the shareholder base. The chosen dividend level may have a material effect on the share price,” said Simon Romano, a partner at Stikeman Elliott LLP who has been very active in the income trust sector.

“Even for trusts that may choose an option other than converting to a corporation, the survey confirms that clear and effective communication about strategy and direction will be a priority,” said Andrew Kondraski, Vice-President at BarnesMcInerney, which advised numerous trusts during and after their IPOs. “Trust executives appear to understand that they will need to pay attention to articulating a vision for the future and,

in many cases, a new investment proposition. They will particularly need to clearly and effectively explain to current and potential investors how their businesses will sustain any adjustment to dividends or distributions in order to avoid negative pressure on market valuation.”

“Trust investors will have a role in approving corporate conversions or any potential M&A transactions. Driving a positive shareholder response will be critical. Our sense is that many trusts will use their annual meetings to formalize and approve changes to their legal structure to reduce the cost and inefficiency of holding a special meeting later in the year,” said Chris Makuch, Vice-President at Georgeson.

### **About BarnesMcInerney Inc.**

BarnesMcInerney Inc. is a capital markets communication firm founded in 1986. Based on our long-standing reputation, we are a trusted advisor to many of Canada’s market-leading public companies and those on their way to success. Our business is to help our clients communicate effectively with their stakeholders on a domestic and global basis at all stages of the business cycle. To do this, we offer a suite of integrated services including communications planning, investor relations strategy development, messaging, executive coaching, disclosure advice, editorial services, perception surveys, investor outreach, branding and multi-media development delivered by experienced professionals. For further information on BarnesMcInerney visit [www.barnesmcinerney.com](http://www.barnesmcinerney.com).

### **About Stikeman Elliott LLP**

Stikeman Elliott is recognized internationally for the sophistication of its business law practice. It is frequently ranked as a top firm in domestic and international capital markets, M&A and corporate-commercial law by industry league tables and directories, and is widely regarded as a leader in business litigation. The firm has developed in-depth knowledge of a wide range of industries including energy, mining, banking, insurance, infrastructure, retail, telecommunications and technology. Stikeman Elliott maintains offices in Toronto, Montréal, Ottawa, Calgary and Vancouver, as well as London, New York and Sydney. [www.stikeman.com](http://www.stikeman.com)

### **About Computershare/Georgeson**

Computershare (ASX:CPU) is a global market leader in transfer agency and share registration, employee equity plans, proxy solicitation and stakeholder communications. We also specialize in corporate trust services, tax voucher solutions, bankruptcy administration and a range of other diversified financial and governance services. Computershare is represented in all major financial markets and has over 10,000 employees worldwide. For more information, visit [www.computershare.com](http://www.computershare.com)

Georgeson Inc. is the world’s leading provider of strategic proxy and corporate governance advisory services to corporations and shareholder groups working to influence corporate strategy. For over half a century, Georgeson has specialized in complex solicitations such as hostile and friendly acquisitions, proxy contests and

takeover defenses. In 2008, Georgeson was the No. 1 proxy solicitor for M&A transactions worldwide. For more information, visit [www.georgeson.com](http://www.georgeson.com).

### **About Harris/Decima**

Harris/Decima is one of Canada's most established names in public opinion and market research, with a 25-year track record of innovation and client satisfaction. Today, they are among the largest full service marketing research organizations in Canada.

Harris/Decima offers a full slate of custom and syndicated research services, including telephone and on-site interviewing, self-administered mail-back and on-line surveys, as well as qualitative one-on-one executive interviewing and focus groups. Harris/Decima conducts research on public and social policy, program evaluation, employee satisfaction, issue management, marketing, advertising and communications testing and evaluation for a wide range of clients in the public, private, and third party sectors.

### **About the Survey**

Harris/Decima surveyed 82 C-Level income fund executives by telephone from November 16<sup>th</sup>, 2009 to December 4<sup>th</sup>, 2009. Based on a universe of 400, a sample of this size has a margin of error of +/- 9.67%, 19 times out of 20.

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