



## CAIF BULLETIN – November/December 2005

We hope that you find this information helpful as a brief summary of activities in which CAIF has been involved or has monitored over the past month

Your questions, comments or feedback about the newsletter are most welcome. Please email us at [info@caif.ca](mailto:info@caif.ca). If you wish to contribute to this bulletin or wish to alert the general membership to a matter of interest, please email us at [info@caif.ca](mailto:info@caif.ca) or Peter Carayiannis directly at [pcarayiannis@hotmail.com](mailto:pcarayiannis@hotmail.com).

CAIF President, George Kesteven, whose active leadership and guiding hand throughout the Consultation Process were invaluable to CAIF, took ill in late November. In his absence, Paul Hollands President and CEO of A&W Food Services of Canada Ltd. has agreed to assume the position of Interim President of the CAIF Board.

## ACTIVITY UPDATE

### **1. Department of Finance Consultation Paper**

During the past 3 months CAIF increased its political activities to unprecedented levels.

In response to the Department of Finance's Consultation Paper released on September 8, 2005, CAIF began immediately to develop, draft and deliver a detailed response. It became clear to all involved that this Consultation Process would be unique when, within weeks, the Government ceased issuing advance tax rulings.

CAIF worked closely with all stakeholders to ensure that income trusts were thoroughly and accurately represented to the federal government:

- On September 28<sup>th</sup> CAIF provided testimony to the Senate Banking, Trade and Commerce Committee. The team included Paul Hollands, George Kesteven, Marcel Coutu and Stephen Probyn. The Senators were particularly concerned with the recent activities of the Department of Finance and the resulting impact on the financial markets.
- In parallel with political consultations and under the leadership of John Dielwart of ARC Energy Income Trust and Marc Tellier of Yellow Pages Income Fund, a steering committee of CAIF CEOs across Canada mobilized to provide additional support and assistance.
- The CAIF Consultation Committee chaired by George Kesteven met regularly in person and by conference call to draft a robust defense of income trusts, countering the prevailing

misconceptions and highlighting the value of Income Trusts to the Canadian economy and individual Canadians.

- With the welcome, albeit unexpected, termination of the Consultation Process by the Minister of Finance on November 23, the work of the Consultation Committee has been suspended until after the election. We were very pleased that the Department of Finance had decided to cut the double-taxation of dividends rather than to impose new taxes on trusts.
- The Ways and Means Motion, which was tabled on November 23 and applies to all budget and tax measures and purports to give legal effect to the Minister's announcement, opens the way for legislation to be tabled retroactively authorizing the tax cuts. As the legislation to put this tax cut into effect did not become law before the election was called the dividend tax cut did not become law and will require Parliamentary approval after the election - again with the legislation retroactively legalizing the tax cut.
- Refinement of the invaluable research and preparatory work carried out for the CAIF submission to the Consultation Process will serve as the basis for on-going representations of the views of the Association and its members.
- To ensure that CAIF's position is on the record, we intend to submit a summary response to the Consultation Paper that will take into account the positive results announced by Minister Goodale.

## **2. Committee Reports**

### **a. Corporate Governance Committee**

The fact-gathering phase of the report is largely complete. The Executive Summary will be submitted to the Executive Committee in early January.

### **b. Taxation Issues Committee ("TIC")**

TIC continues to meet from time to time on specific tax issues. At the request of George Kesteven, Kerk Hilton has agreed to assume leadership of this committee focusing on issues relating to Alberta.

### **c. Consultation Committee**

As reported above, the Consultation Committee worked throughout the months of September, October and November to prepare CAIF's response. Due to the fact that the Consultation Process was aborted by the Government, we will not be submitting the extensive submission that was developed. CAIF will, however, develop a revised position paper in response to the recent developments and submit the new paper in order to ensure that the CAIF position is on the record.

### **d. Financial Reporting Committee**

This new committee has been formed to address the issues of financial reporting for Income Funds, particularly in relation to the recent press coverage of non GAPP reporting and statements made in the press that require clarification and correction. Under the leadership of Steve Rotz, this committee will address themselves to these issues in 2006.

### 3. Government and Media Relations

We continue to monitor closely all developments related to the activities of federal and provincial governments during the election period.

### 4. Index Inclusion -

Effective as of the close of business December 16, 2005, 72 Income Funds were added to the headline S&P Composite index at 50% float. This constitutes phase I of the two-stage inclusion process.

### 5. New Members:

CAIF's membership has increased dramatically since September. In the months of October and November, 56 income trusts joined our association. The new members, listed in alphabetical order, are:

Acuity Funds Ltd.	Oceanex Income Fund
Advantage Energy Income Fund	Osler, Hoskin & Harcourt LLP
Aeroplan Income Fund	Paramount Energy Trust
Avenir Diversified Income Trust	Parkland Income Fund
Bell Nordiq Income Fund	Pembina Pipeline Income Fund
Boston Pizza Royalties Income Fund	Phoenix Technology Income Fund
CanWest MediaWorks Income Fund	Pizza Pizza Royalty Income Fund
Cargojet Income Fund	Precision Drilling Corporation
CML Healthcare Income Fund	Priszm Canadian Income Fund
Consumers' Waterheater Income Fund	Progress Energy Trust
Crescent Point Energy Trust	PRT Forest Regeneration Income Fund
Creststreet Power and Income Fund	Rogers Sugar Income Fund
Custom Direct Income Fund	Sentry Select Capital Corp.
Esprit Energy Trust	Sequoia Oil & Gas Trust
Fairborne Energy Trust	Shiningbank Energy Income Fund
Focus Energy Trust	Spinrite Income Fund
Freehold Royalty Trust	Sun Gro Horticulture Income Fund
Gateway Casinos Income Fund	Superior Plus Income Fund
Golf Town Income Fund	TerraVest Income Fund
Harvest Energy Trust	The Data Group Income Fund
Hot House Growers Income Fund	Thunder Energy Trust
KCP Income Fund	Tree Island Wire Income Fund
Ketch Resources Trust	Trimac Income Fund
Keyera Facilities Income Fund	Vault Energy Trust
Liquor Stores Income Fund	Wellco Energy Services Trust
Movie Distribution Income Fund	Westshore Terminals Income Fund
NAL Oil & Gas Trust	Zargon Energy Trust
Newport Partners Income Fund	
North West Company Fund	

We take this opportunity to wish you all the very best wishes of the holiday season and for the New Year.