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Income trusts untrustworthy, investor activist warns Canadian Press

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TORONTO (CP) - Almost half of the business income trusts issued in the past 5 1/2 years are worth less now than when they hit the market, an analysis by an independent investor advocate shows.

Diane Urquhart, a Toronto financial professional turned industry gadfly, says the Entertainment One Income Fund (TSX:EOF.UN), which halted its distributions this week, has jumped to No. 7 on her list of 60 business trusts issued since 2001 and now valued below their initial public offering prices. That's 49 per cent of the income trusts issued since the list first started.

Issued at \$10 in November 2003, units in the CD and DVD distributor peaked at \$12.37 in December 2004 and crashed Thursday to \$1.85 from \$3.31 after the payout suspension.

The units were up a 15 cents to \$2 on Friday, representing a loss of about \$170 million to investors who bought into the Entertainment One offerings.

It's "another example of the long-term pain borne by seniors and other income-seeking buyers of income trusts, while the vendor, investment banks, securities lawyers and auditors received their cash participations upfront," fumes Urquhart.

She estimates total capital losses from the 60 trust IPOs on her list at \$2.85 billion, with an average decline of 28 per cent.

Heading the list is the Heating Oil Partners fund with a 100 per cent loss, followed by Specialty Foods (TSX:HAM.UN) at 97 per cent, FMF Capital (TSX:FMF.UN) 96 per cent, Associated Brands (TSX:ABF.UN) 93 per cent, and Spinrite (TSX:SNF.UN) and Boyd Group (TSX:BYD.UN), both at 88 per cent.

Citing "accounting, financial reporting and yield valuation abuses of income trusts," Urquhart urges the Canadian Accounting Standards Board, the provincial securities commissions and the federal Finance Ministry to take action.

Prominent losers on her list include Hot House Growers (TSX:VEG.UN) 72 per cent, Art In Motion (TSX:AIM.UN) 70 per cent, Clearwater Seafoods (TSX:CLR.UN) 57 per cent, SFK Pulp (TSX:SFK.UN) 55 per cent, Clean Power (TSX:CLE.UN) 43 per cent, Osprey Media (TSX:OSP.UN) 30 per cent, CanWest Mediaworks (TSX:CWM.UN) 18 per cent and Jazz Air (TSX:JAZ.UN) 15 per cent.

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