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RE: Canadian Royalty Trust News

For those of you that are invested in some Canadian energy royalty trusts, we wanted to give you a news update.

On Tuesday night, Canada's Finance Minister, Jim Flaherty, surprised the entire investment community with an announcement regarding the Canadian income trusts. He announced plans to PROPOSE legislation to tax income trusts the same way as corporations. Currently, these trusts are not taxed as a corporation as long as they distribute 90% of all earnings to their unit holders. The plan calls for all new trusts to be taxed this way immediately and older trusts that have been formed prior to this proposal, would have a 4 year exemption before they will begin getting taxed.

On this news, PWE, ERF and a couple other trusts that we follow, felt the pain of a sell off on this news.

We have concluded that there is no reason to get out of these investments for the following reasons:

- It is only a PROPOSAL. There is no guarantee that this will actually pass.
- All of our trusts that we are invested in, will not have to change their dividend policy for at least the next 4 years.

We will be following the situation to determine the best decision for our clients.

Please let me know if you have any questions or concerns.

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