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## Proposed Simplification of Fund Structure

2 June 2011

The Board of Middlefield Canadian Income PCC (the “**Company**”) is pleased to announce its intention to seek the approval of shareholders to simplify the Company’s structure by removing the existing swap arrangements (the “**Swap**”) and investing directly in the underlying portfolio of assets which is currently held through CIT Trust. It is the expectation of the Board that the proposed restructuring will not have a material economic effect on the Company and, consequently, subject to unforeseen circumstances the Company intends to maintain its current dividend rate of five pence per share per annum following the restructuring. Similarly, the existing provisions for a continuation vote to be held in June 2013 will remain in place.

By way of background, the Swap was put in place primarily to allow tax efficient access to the Canadian income trust sector. However, as noted in the Company’s annual report published on 18 March 2011, following changes to the taxation of Canadian income trusts which came into effect on 1 January 2011, virtually all income trusts, aside from real estate investment trusts, which will remain tax exempt vehicles, have now changed their legal form to Canadian corporations.

In light of those changes and having consulted the Company’s major shareholders, the Board believes that there is considerable merit in simplifying Company’s existing structure by removing the Swap. The removal of the Swap would also eliminate the Company’s Sterling/Canadian dollar currency hedge and would crystallise the value of the Cross Currency Margin Differential at the point that the proposals take effect. The Board would not propose to hedge the Company’s Canadian dollar exposure following implementation of the proposals.

In order to mitigate the impact of Canadian withholding tax which would otherwise apply to the Company’s directly held portfolio of assets following the restructuring, the Board would propose that the Company become UK tax resident as part of the restructuring. The Board has been advised that the Company would be able to satisfy the requirements necessary to qualify as an investment trust under section 1158 of the UK Corporation Taxes Act 2010, subject to the Company’s continuing to satisfy those requirements following implementation of the changes to the investment trusts regime described in the 2011 UK Budget.

The restructuring proposals would necessitate various changes including an amendment to the Company’s investment policy to reflect the new structure and consequential changes to the Company’s constitutional documents. The proposals would be subject to shareholder approval and, accordingly, the Company is preparing a circular to shareholders which will set out further details of the proposals and convene an extraordinary general meeting of the Company in due course.

### For further information please contact:

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