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Jovian execs cut themselves \$12-million cheque

By TIM KILADZE

Payment made public in quarterly report, but very little information given

Two months after managers at Jovian Capital Corp. disclosed that they cut themselves an extra \$12-million cheque, top executives have yet to explain where the money came from, and how they decided on the amount that was doled out.

In its last quarterly earnings, released in February, the company included a \$12.2-million provision for the "Jovian senior management profit plan," which it said was the result of both "continued and discontinued operations." Not exactly the most precise description.

When pressed for more details by shareholder Scott Reid of Stornoway Portfolio Management, management didn't add much, other than to say that it had been underpaid for some time. No explanation where the money came from. No proven justification of why it was paid out.

The easiest explanation, and this is just a guess, is that Jovian had a chunk of cash on its balance sheet after selling off its stake in BetaPro Management to a South Korean firm last year. Jovian also recently sold off its mutual fund subsidiary to Desjardins Financial Security for \$27-million.

But you can't be sure, because Jovian has yet to comment. Calls and e-mails left with the company were not returned.

Mr. Reid is perturbed because he personally believes that management doesn't deserve the payout. "Since the creation of Jovian in its current form on July 9, 2003, Jovian's shares have declined by 6.2 per cent, or 0.72 per cent on an annualized basis," he wrote in a public letter. "In comparison, over the same period of time, the TSX Total Return Index has appreciated by 114 per cent, or 9 per cent on an annualized basis."

He is also annoyed that few details have been provided, and that because the payment wasn't in the form of securities, it doesn't have to be put to a shareholder vote. That means the company can hand out about 10 per cent of its equity value to "unidentified 'senior management,'" Mr. Reid wrote.

In management's defence, it also paid shareholders \$4 per share earlier this year. However, this handout wasn't a special dividend; it was a return of capital. If you held shares at \$10, theoretically, and the return of capital is \$4, you are given 40 per cent of your investment back. You aren't paid a 40 per cent special dividend.

Mr. Reid has talked to both Philip Armstrong and Jason Mackey, Jovian's chief executive and financial officers, but that hasn't gotten him anywhere. If he had it his way, Jovian would make a copy of the payment plan available for public consumption and execs would reconsider the payments.

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