

These two REITs share executives — and were to share \$12-million as well



BARRY CRITCHLEY
Off *The Record*

The rest of the country now knows that even Winnipeg has standards. That's one reaction to this week's news that related entities **Lanesborough Real Estate Investment Trust** and **Huntingdon REIT** have decided not to proceed with a short-term loan transaction.

On Feb. 20, the two Winnipeg-based trusts announced that Lanesborough (with a market capitalization of \$105-million) would lend \$12-million to Huntingdon (market cap of \$187-million) for one year at a rate of 8%. The interest was to be paid monthly. That loan was to be secured by a first-mortgage charge on the office building and excess land in Oshawa, Ont.

"The loan transaction will provide Huntingdon REIT with mortgage financing for a property, on a short-term basis until long-term mortgage financing is obtained, and the funds will be used for the purpose of funding the equity commitments associated with the purchase of industrial and commercial properties," said a release at the time.

Two days later, the loan was called off. The two issuers, both of which are listed on the TSX Venture Exchange, did not give a reason. But Huntingdon REIT "is finalizing a commitment for conventional first-mortgage loan financing for the property with a third-party lender."

Clearly, that's the right decision. Investors didn't buy units in Lanesborough REIT for it to make loans to a related party. The links run this way: Arni Thorsteinson is chief executive of both, Ken Dando is chief financial officer of both and Gary Coleman is secretary to both. (Yesterday, Huntingdon proposed that a new trustee, Greg Doyle, be nominated for election at the June annual meeting.)

And the loan does not seem consistent with Lanesborough's objectives. "The overall investment strategy of Lanesborough is to focus on the acquisition of multi-family residential properties with stable yields, low vacancy levels, strong tenant covenants and growth potential," said the 2005 information circular.

Loans between related entities are common in the world of real estate. Indeed, the large loans (at least \$600-million) made by BPO Properties to parent Brookfield Properties a few years ago be-

came a major concern for BPO shareholders, so much so that they lobbied BPO to use the money to pay a special dividend.

Oilsands offerings There are numerous ways for investors to participate in the country's oilsands sector, with the most direct being buying a basket of equity securities of a number of the issuers.

There are now two other ways to invest in the sector, which has enjoyed strong price gains, with the talk that a third way is coming shortly. Much of those gains are tied to the price of crude oil, which has been high for a reasonably long period of time. Contrarians would argue that prices don't rise and stay up for long periods.

■ An offering by the **Oil Sands Sector Fund**, which is expected to close next month. That issuer was formed to provide unitholders with long-term capital appreciation while, along the way, paying out on a quarterly basis distributions at the rate of 5% a year.

The issuer will achieve those objectives by investing in 40 oil companies, most of which are active in the oilsands. The top 15 companies, which are expected to receive 60% of the investments, range from Suncor Energy to Canadian Oil Sands Trust, to UTS Energy to Enerplus, to OPTI Canada.

Markland Street Asset Management Inc., an entity linked to AIC Ltd., is the manager. In turn, Markland has hired AGF Funds as the investment adviser.

■ **SciVest Oil Sands Index PLUS Fund**. The hedge-fund manager is selling a private placement that will give investors exposure to an oilsands-sector index that was developed by Sustainable Wealth Management, a Calgary-based manufacturer of "unique unconventional investment indices and strategies with a primary focus on natural resource and energy sectors."

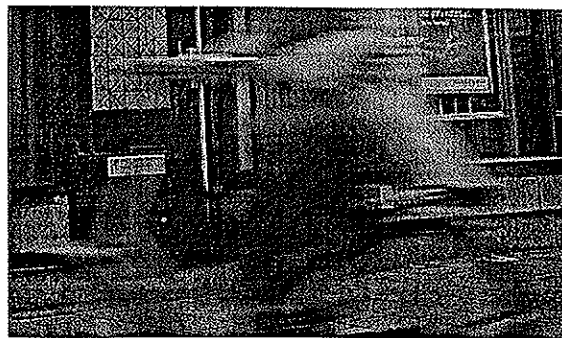
The PLUS in SciVest's fund is SciVest's "market-neutral" overlay. "That overlay is expected to add 4% to 5% above the oilsands index," said John Schmitz, chief investment officer at SciVest, who noted SciVest is the only Canadian licensee of the index. The other licensee is in Singapore.

The Oil Sands index contains many of the stocks that make up the S&P/TSX capped energy index, but with higher weights given to those issuers that have exposure to the oilsands. It's weighted according to five factors: current oilsands production; projected 2015 production; percentage focus on oilsands production; market liquidity and market cap. The weights are re-balanced once a year or when a corporate event occurs.

If investors meet the so-called accredited investor rule — they must have a certain amount of financial assets and certain annual income — they can participate.

SciVest has four versions of the fund, ranging from a class A (a 2.25% annual management fee) and a 20% performance fee (calculated above the rise in the capped energy index) to a class N (no management fee and 30% performance fee).

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bcritchley@nationalpost.com



PAUL O'DRISCOLL / BLOOMBERG NEWS

ABN Amro is not alone in targeting public infrastructure projects.

B.C. offers 'a level playing field'

ABN

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"The Edmonton ring road is a poster child for P3s that says notwithstanding how much cash the province has, if you're looking at value for the money, you should look at P3s," Mr. Pahari said.

Meanwhile, in British Columbia, the government has unveiled a \$3-billion transportation plan to upgrade roads and bridges throughout the lower mainland. It is expected some of the work will be done as a P3.

ABN Amro is not alone in targeting P3 opportunities in Canada. British Columbia in particular has attracted other global firms that have financed projects in the province, including Australia's Macquarie Bank, Bank of Ireland, Bank of Scotland and both Bilfinger Berger BOT and Nord/LB of Germany.

In addition, Canadian insurers Sun Life Financial Inc. and Cana-

da Life Financial, as well as the Ontario Teachers' Pension Plan, have participated in financing projects.

"There's a lot of retirement-type money out there looking for safe investments and infrastructure offers that," said Larry Blain, CEO of Partnerships BC, the company set up by the provincial government to advise it on P3s.

"B.C. is an appealing place. We have a fair and transparent bidding process here that gives everyone a level playing field."

To beat out its global competitors vying for Canadian infrastructure projects, ABN Amro will have to count on its extensive experience with P3s in Australia, Britain and Europe, as well as its deep pockets.

"Infrastructure is the type of business where if you have the balance-sheet strength and you understand the risk, that puts you in a good position," Mr. Pahari said.

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jktirby@nationalpost.com

New distractions split TV audience

OLYMPICS

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Spokesmen at CTV and Rogers declined to comment on their plans, noting that they don't become the official Olympic broadcasters until after the Summer Games in Beijing in 2008.

Executives at CBC may be feeling relief they didn't pay up to secure the Games beyond 2008. But they must deal with numbers for the Turin Olympics that are falling below the expectations of advertisers. That means giving away advertising time for free.

"Prime is down [but] CBC is pretty good, so they're going to make that up," said Ms. Boot.

Industry observers say there are a few reasons for the decline in Olympics viewers in both the United States and Canada, including the time difference with Turin and aggressive "counter-programming" of longer or juicier versions of hit programs like *American Idol* by other networks.

But there are bigger broadcasting and marketing industry issues at work, including increasing distractions such as the Internet and video games, that are taking traditional viewers away from TV.

The steep decline in prime-time viewing of the Olympics in Turin "is exactly what you would expect," said Doug Checkeris, chief executive of The Media Company, a

events are stretched out over too long a period, making the Games less immediate and engaging.

The numbers bear out the flagging interest. Mike Cosentino, CTV's vice-president of communications, says Nielsen Media Research numbers indicate three million viewers tuned in to a two-hour *American Idol* on Tuesday evening, and 2.2 million watched *CSI*. By contrast, the Olympics prime-time lineup drew an average of 1.37 million viewers between 6 p.m. and 11 p.m., he said.

Executives at CBC say some Olympic viewing has gone to the Internet. Scores and medal standings can be checked in real time.

Rogers and CTV, with its shareholder **BCE Inc.**, are likely to offer exclusive highlights packages and other perks to Internet and cellphone customers to try to derive more revenue to pay for the Games, industry sources say.

BCE's Bell Canada tested the waters with the Turin Games. In a deal with CBC, Bell Mobility cellphone customers were given hourly highlight packages of events. And Bell's Sympatico Internet customers were enticed to exchange e-mails with Team Canada hockey coach Pat Quinn after the Games. Such promotions can be expected to sell more phones and subscription packages, Mr. Checkeris said.

Even if advertisers are brought on board for online ventures, it