

## **Real estate trust builds kitty for acquisitions**

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By Martin Cash

LANESBOROUGH Real Estate Investment Trust has filed a preliminary prospectus launching another fund-raising offering, this time a convertible debenture targeted at retail investors.

The company is looking to raise between \$2 million and \$4 million from investors throughout Western Canada and in Nova Scotia and the Northwest Territories, by selling debentures with a face value of \$1,000, a term of four years and an annual interest payment rate of eight per cent.

Since mid-December, the Winnipeg-based real estate income trust has also closed a \$5-million equity private placement offering and a \$10-million convertible debenture private placement to institutional investors.

Lanesborough's president and CEO Arni Thorsteinson said the company's strategy is to grow by acquisitions to a size large enough so that it can do a much larger offering.

"If we are able to maximize this offering, we will have about \$20 million in cash in the bank," Thorsteinson said in a telephone interview from Florida, where he is attending a board of directors meeting of Russell Metals. "I hope to be able to do a \$100-million offering before the end of the year."

REITs and other real estate investors typically buy properties with 25 per cent equity and 75 per cent bank mortgage, so when this offering closes Lanesborough could be in a position to add close to \$100 million in assets to its portfolio.

Kevin Hooke, vice-president in charge of corporate finance activities at Wellington West Capital, said the strategy of doing a series of smaller offerings of equity and debt will allow Lanesborough to eventually grow enough to attract more institutional investors. Wellington West is selling the current offering.

"The company has said it will grow by acquisitions," Hooke said in a telephone interview from Brandon yesterday. "This latest offering will give the company a capital base to allow it to acquire small portfolios of assets rather than be forced to do one-off deals."

Hooke and Thorsteinson both acknowledged that target acquisitions have been identified. It was also stated that these acquisitions would be arm's-length, third-party deals.

Lanesborough's most recent acquisition, the McIvor Mall in Winnipeg, was acquired from Consolidated Properties, a Calgary-based real estate company of which Thorsteinson is chairman of the board.

This latest debenture offering would be added to three other series of debentures that the company currently has outstanding.

Thorsteinson said interest payments on those series, as well as the 12.5-cent-per-unit quarterly income payments made to unitholders, will not be a challenge to the company because of its ability to borrow money at low rates and generate enough returns on its portfolio to continue to buy more.

[martin.cash@freepress.mb.ca](mailto:martin.cash@freepress.mb.ca)

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