

A '\$20-million sales day' at Luxus resort in Hawaii

Sherwood Park company sells out first phase of 'mid-luxury units'

GARY LAMPHIER
Edmonton Journal

An Edmonton-area developer has sold out the first phase of a \$50-million-US luxury resort project on Hawaii's Big Island.

Sherwood Park-based Luxus Developments said it closed the sale Thursday of the first seven units of the 17-unit gated project, known as the Residences of Laule'a, for a total of \$20 million.

The buyers come from Texas, Georgia and Western

Canada, said Stephen Petasky, president of Luxus Group, the parent company. The project, located on a two-hectare parcel on the Kohala Coast, is expected to take about 18 to 24 months to complete.

"A \$20-million sales day is not very common here. On the island of Oahu there are some big sales numbers there, but on Big Island this is a big deal, so we're pretty excited about it. This is a big day for us."

Although the price tag for

a luxury unit is as high as \$3 million-plus, Luxus is marketing them as "mid-luxury units" in Hawaii, where condos routinely sell for more than \$1 million and some opulent homes are priced in the \$15-million range, he said.

"We kind of fit that middle niche and that's the biggest difference we've found among post-recession buyers. A lot of people are still working and they don't want the hassle of caring for a big single-family home. So this is really a hassle-free community where snowbirds can just lock up and go."

Demand for property in Hawaii is currently being driven

largely by a mix of affluent U.S. West Coast and Asian buyers, although purchasers from Western Canada are still active, despite the plunging loonie, he said.

"Some are on the edge of retirement but most are still working. They just want a place where they can spend a few months of the year," Petasky said.

"Some also want to be able to rent their property to create some revenues to offset costs.

"That's also allowed at this project, and that's pretty rare for this type of community."

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RODGER BOSCHUAGENCE FRANCE PRESSE-GETTY IMAGES
Robert Friedland, founder of Ivanhoe Mines, speaks in Cape Town in February, at Africa's biggest mining conference.

Failed oilsands firm's assets to be sold off

Two Ivanhoe oilsands leases and patented processes up for sale

DAN HEALING
Calgary Herald

It said it would accept bids by qualified bidders for all or part of the assets, to be sold on an "as-is-where-is" basis, until Aug. 28.

The disposal is the latest in a long line of disappointing junior oilsands events that include the costly recapitalization of Connacher Oil and Gas Ltd., the receivership of Southern Pacific Resource Corp. and court protection for private Laricina Energy Ltd.

Oilsands analyst Michael Dunn of FirstEnergy Capital said he isn't an expert on Ivanhoe's leases but a model for their disposal could be the sale of SilverWillow Energy Corp. announced two weeks ago.

Cash-strapped SilverWillow — worth \$90 million in stock market value in 2012 — announced it had agreed to sell itself for \$1.7 million to another Calgary-based junior oilsands company, privately held Value Creation Inc., in a deal that must be approved by shareholders to proceed. (Chairman and CEO Columba Yeung of Value Creation said Thursday he could not comment on whether he would bid for the Ivanhoe leases.)

In a presentation two years ago, Ivanhoe said it was "significantly undervalued" with a market capitalization of

to a Herald request for comment on Thursday.

In a report on its website, KPMG revealed that Friedland had advanced a total of \$6.4 million US to the company, \$5.1 million by way of loans in 2014 and \$1.1 million through an interim financing promissory note during its failed initial application to restructure under the Bankruptcy and Insolvency Act.

"As a result of the sharp reduction in oil prices in late 2014, Ivanhoe was unable to raise additional capital to fund ongoing costs and as a result did not make the bond interest payment of \$2.1 million due on Dec. 20, 2014, in respect of the \$73.3 million convertible debentures," the KPMG report notes.

"On Feb. 9, 2015, the trustee for the bondholders issued a demand for payment for the overdue interest instalment."

Ivanhoe's assets include two oilsands leases covering nearly 3,000 net hectares in northern Alberta and containing proved plus probable reserves of 172 million barrels of bitumen.

The company had proposed building a \$1.37-billion, 20,000-barrel-per-day thermal project there, planning like many juniors to win project approval and then seek deep-pocketed partners to help build it.

The leases were purchased for \$75 million in 2008 from



SAM LEUNG/THE PROVINCE

Some have raised concerns the Bank of Canada's rate cut will add fuel to hot housing markets in Vancouver and Toronto.

Significance of BoC rate cut questioned

Neediest sectors won't be helped, economist says

CRAIG WONG



The Canadian Press

OTTAWA — The move by the Bank of Canada to cut its key interest rate will help consumers out a little, but experts say with rates already near record lows, it won't mean much for individual borrowers.

Canada's big banks trimmed their prime rates by 0.15 percentage points to 2.7 per cent in the wake of the central bank's move Wednesday to cut its overnight rate target by a quarter percentage point.

Sherry Cooper, chief economist at Dominion Lending Centres, questioned the effectiveness of the rate cut to boost the economy with the big banks only passing on a portion of the reduction by the Bank of Canada.

"At the margin, this might boost housing and consumer credit a bit, but these are not the sectors most in need of stimulus," Cooper said.

Moves in the prime rate directly affect the amount charged on loans such as variable rate mortgages and floating rate lines of credit.

It's the second time the central bank cut its key rate this year. When it chopped



JONATHAN HAYWARD/THE CANADIAN PRESS

Economist Sherry Cooper says the central bank's rate cut might boost housing 'a bit.'

the rate in January by a quarter point, the big banks also passed on a cut of 0.15 of a percentage point to their customers then, too.

Some have raised concerns that lower interest rates will add fuel to the already hot housing markets in Vancouver and Toronto.

However, mortgage broker Frank Napolitano noted that the change in the prime rate doesn't mean people will now be able to obtain larger mortgages because the rates used to qualify a borrower haven't changed.

He estimated that for a \$300,000 mortgage, the 15-basis-point cut could save a borrower a total of a little

over \$2,000 over five years.

"From a consumer point, it is better than nothing," Napolitano said, noting that those with lines of credit tied to the prime rate will also save money.

Bank of Canada governor Stephen Poloz said Wednesday the interest rates charged borrowers are affected by more than just the overnight rate target.

"All we're trying to do is have an influence on it," he said.

Cooper said the spread between the Bank of Canada's overnight rate target and the bank prime rate will eventually shrink, but probably not until interest rates are much

higher than where they are today.

She said low interest rates have helped squeeze the big banks in recent years and they didn't pass on the full rate cut to help protect their profit margins.

"The banks themselves have come under enormous regulatory pressure to increase their capital which makes their businesses far less profitable," Cooper said.

"They will always, in my view, want to maximize the gap between what they can charge on loans and what they have to pay for money on the overnight market."

\$15 million and an enterprise value of \$126 million.

Ivanhoe shares have been halted from trading since February and are essentially worthless.

Both Ivanhoe and Silver-Willow had proposed shallow thermal oilsands projects that were affected by an Alberta Energy Regulator review of caprock integrity — a total of five companies had project applications frozen in early 2014 over concerns that underground pressure could lead to blowouts at surface and other undesirable consequences.

In its annual report this week, the AER said it has completed "thorough technical work to ensure that risks are well understood and that outcomes will be protective and effective" and promised draft requirements from the review will be ready for stakeholder consultation later this year.

Ivanhoe Energy was petitioned into bankruptcy by Robert Friedland, a Vancouver mining company financier, who was the company's co-founder and primary shareholder as well as its primary secured lender.

Friedland did not respond

Calgary-based Talisman Energy Inc., with an additional \$15 million to be paid when certain areas were developed.

The receiver's report lists Talisman (recently sold to Spanish energy giant Repsol S.A. for \$13 billion US) as a secured creditor owed \$15 million.

KPMG is also trying to sell Ivanhoe's HTL or heavy-to-light patented process that converts heavy oil to lighter synthetic crude oil that can be transported by pipeline without the need for diluent. The assets include a licence from Ensyn Corp. and a feed testing facility in San Antonio, Texas.

Even the company's operating losses are for sale. KPMG estimates Ivanhoe could have as much as \$408 million Cdn and \$78 US in accumulated losses or tax pools a buyer could use to offset future income tax obligations.

The report notes Ivanhoe has 175 unsecured creditors owed \$4.1 million, consisting of professional services firms, ex-employees and trade suppliers. Its debenture holders, owed \$76 million, are also counted as unsecured creditors.