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Texas surgery clinics get TSX push

May 17, 2007 03:41 PM

CANADIAN PRESS

Investors aching for a high-yield investment have a new option with the \$150-million initial public offering of Northstar Healthcare (TSX: NCH), focused on surgery clinics in Texas.

Northstar used the proceeds of the offering to buy a 55 per cent interest in the Palladium for Surgery and 60 per cent of Medical Ambulatory Surgical Suites, both in Houston. Northstar also manages clinics in Houston.

"For many years, the Canadian market has had an unsatisfied demand for high-yield securities," stated Ken Manget, who led the underwriting by BMO Capital Markets.

The "innovative high-yield, tax-advantaged" Northstar stock, sold through Texas financial firm Capstone Associated, "will be the Canadian form of the U.S. high-yield bond market and will find a welcome home here," Manget said.

Capstone Chairman and CEO Stewart Feldman said the listing on the Toronto Stock Exchange maximized the issue's value.

"Although Capstone and all of Northstar's operations are located in Houston, the TSX offered the best alternative," Feldman stated.

"The transaction addressed the desire of these U.S. business owners to sell a controlling interest at an excellent price, while at the same time we were able to appeal to the interests of Canadian investors in the high-yield common stock of the U.S.-based businesses."

Feldman's Capstone team is "in discussions with other potential cross-border IPO candidates in the energy and health-care sectors that can benefit from this highly tax-efficient, cross-border structure."

Within a month of last Halloween's federal government announcement that quashed the income-trust boom, a Feldman-led team of lawyers, investment bankers and accountants on both sides of the border created Northstar's high-dividend common share vehicle.

It uses common stock with underlying cross-border debt to provide "unusual tax efficiency."