

**New fund targets oil, gas properties
Tuscarora Fund will invest in West**

**Edmonton Journal
Ray Turchansky, Journal Business Writer
Thursday, February 07, 2002**

Frank Mersch and Norm Lamarche, who rose to prominence funding small energy companies in the late 1980s, are trying to do it again with a new Western Canada energy fund.

Mersch, who became a mutual fund superstar managing Altamira's Equity fund to 19-per-cent annual returns from 1987 through 1997, has rejoined his former partner Lamarche for the first time in eight years, running Tuscarora Energy Growth Fund.

The venture capital labour-sponsored fund will invest in small-cap Alberta, B.C. and Saskatchewan oil and gas companies. It is managed by Front Street Capital of Toronto, presided over by Gary Selke, who founded subsidiary Tuscarora Capital with Lamarche in 1996.

In Edmonton this week, they gave three reasons why they think the fund will prosper, with timing being a common thread.

Oil and natural gas prices are low. Mergers and acquisitions have freed up 65 proven management teams looking for work, while placing For Sale signs on \$8 billion to \$10 billion worth of assets.

And terrorism has left the major global source of oil, the Middle East, as "a powder keg," according to Mersch.

He said that during the past 21/2 years, 65 Canadian energy companies have vanished through mergers and acquisitions.

"It is very much like the early years, when we funded a lot of companies," said Mersch, addressing investment dealer in Edmonton this week. "The price deck is low, there are assets for sale, operation costs are low and you've got a lot more great management teams this time than the last."

"We believe we've got a window of 12 to 18 months. We believe prices will stay low for 12 months. And over the next four to five years the N.W.T. and Alaska will open up with the pipeline, and where there's a pipeline, there's lots of drilling."

Mersch admits having a twinge of nationalism in starting the fund.

"Fifty per cent of the Canadian oilpatch is owned by Americans. I'd like to get it back to where it was, where maybe 30 or 25 per cent was owned by foreign investors. And one way to do that is recapitalization, and that is the role of this fund."

The fund was registered as a Labour Sponsored Venture Capital Corp., to avoid regulations that restrict regular mutual funds to 10-per-cent investment in private companies or liquid assets. The Energy Fund already has \$1.5 million in seed money and aims at an initial "sweet spot" of \$25 million to \$65 million.

The retail instrument is available at \$10 per unit until March, with a minimum of \$500

investment. As a labour fund, Canadian residents are entitled to a 15-per-cent federal tax credit on the first \$5,000 they invest each year - there's no matching tax credit in the province of Alberta - but the tax credits are lost and fees are incurred if the shares are redeemed within eight years of purchase.

© Copyright 2002 Edmonton Journal