

MacKenzie to Deregister as a BDC to Shift Investment Focus

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The board of MacKenzie Realty Capital Inc., a non-traded business development company that is taxed as a real estate investment trust, has unanimously approved to withdraw the company's election as a business development company in order to shift its investment focus to real estate. Shareholders will vote on the proposal at the annual meeting on October 23, 2020.

MacKenzie is best known for purchasing shares of illiquid investments, such as non-traded REITs, directly from investors in unsolicited tender offers at prices lower than the estimated net asset value per share.

In May 2020, the company suspended its share repurchase program to focus on retaining cash to purchase real estate assets. The following month, The DI Wire reported that Mackenzie signaled a strategic investment shift with its purchase of [Addison Corporate Center](#), a Class A office campus totaling nearly 588,500 square feet located in Windsor, Connecticut.

Regarding its investment shift, the board believes that it is in the best interests of the company and its stockholders for two reasons. It claims that there are “significant opportunities” for investment in real estate assets, but the 70 percent test limits these types of direct investments. The company is currently required to invest 70 percent of its portfolio in “qualifying assets,” principally by owning securities of eligible private companies.

The company also anticipates greater access to capital and flexibility in raising capital for an investment strategy geared toward direct investment in real estate.

MacKenzie indicated that its proposed strategy will be “very similar” to the one it has historically followed, targeting investments in the real estate sector. However, the withdrawal will allow it to expand its investment pool to include real physical assets, as opposed to only investment securities.

MacKenzie expects to continue operating as a BDC until it no longer meets the 70 percent test, and the proposal is not expected to affect operations, the company said.

The company expects to file a definitive proxy statement around September 21, 2020.

MacKenzie focuses on investing in illiquid or non-traded debt and equity securities issued by U.S. companies that primarily own commercial real estate, including non-traded REITs, small-capitalization publicly-traded REITs, public and private real estate limited partnerships, limited liability companies, and tenancies-in-common.

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The company launched its initial public offering in August 2013 and as of March 31, 2020, had raised approximately \$128.6 million from its public offerings.

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