

AUSTRALIAN BANK SET TO ACQUIRE ORION SECURITIES

\$147M DEAL EXPECTED TO CLOSE IN 10 WEEKS

By Barry Critchley

Financial Post, September 27, 2007

Macquarie Group, an Australian headquartered global financial services organization, is outlaying \$147-million to acquire Orion Securities, an employee-owned institutional investment dealer that focuses on the resources sector.

Of the \$147-million, Orion's shareholders will receive \$30-million in cash when the deal closes with the rest being paid in exchangeable shares. Those shares will be released over a five-year period and will be exchangeable into shares of Macquarie Bank during the following 10 years.

"Our objectives in acquiring Orion are firstly, to round out our global resources investment banking business and secondly, to extract maximum advantage from Macquarie Group of Companies combining their successful Canadian operations in equity underwriting, sales, trading and research with the scale and global reach of Macquarie Securities," said Nicholas Moore, global head of Macquarie's investment banking group.

The transaction is expected to close in about 10 weeks.

As part of the purchase, Paul Donnelly, an executive director in Macquarie's investment banking group in Australia, will move to Toronto. He will lead the combined businesses and will carry the title of country head.

Mr. Donnelly said Orion was attractive because it has "a business that is complementary to ours and a similar culture." He said that giving Orion's clients access to Macquarie's global network, "will be a key feature of a combined Orion/Macquarie."

Mr. Donnelly said there will be no layoffs. "We will be looking for staff and continue to grow."

Macquarie has been in Canada for the past nine years. It employs 200 people, of whom half are involved in investment banking. "We are not a fly-in team," Mr. Donnelly said.

Macquarie -- known in Australia as the millionaires factory -- also manages an income fund, the Macquarie Power & Infrastructure Fund, manages some unlisted funds and has a residential mortgage business. It also has some major investments including a stake in Highway 407, toll roads and electricity distribution assets in Western Canada.

Orion used to be known as Yorkton Securities but changed its focus to the institutional market when it sold its retail arm to Blackmont Capital. Orion employs 130 people in offices in Toronto, Montreal and Calgary. In its last fiscal year, Orion made \$41-million of pre-tax income.

John Varghese, the former chairman of Orion Securities, said the deal represents one of the largest multiples of book value paid in Canada for an investment bank. "It's about five times book," said Mr. Varghese, whose firm VentureLink invested in Orion via a participating debenture in 2003.

“We have been fortunate to be part of this tremendous turnaround leading to a world-class company like Macquarie using Orion as its platform to enter Canada for its investment banking operation.”

Mr. Varghese, who is now an Orion director, said that the Macquarie link allows Orion to “potentially leap frog firms like GMP, Cormark and Canaccord to compete head-to-head with the major banks.”

Indeed that is the hope. As Macquarie said yesterday, “When combined with Macquarie’s existing Canadian investment banking businesses, the acquisition of Orion’s advisory, equity research, sales and trading platform will create a leading investment banking and securities franchise in Canada.”

© National Post 2007 – Used with permission

VentureLink LP

One Richmond Street W., Suite 801
Toronto, Ontario M5H 3W4
www.venturelinkfunds.com

Phone 416 681 6676
Toll Free 800 253 1043
Fax 416 681 6661