

Following the Smart Money -- let the games begin!

October 2, 2007: San Francisco brokerage house Thomas Weisel Partners Group Inc., noted for its work with technology, health care and consumer product companies, announced Monday that it is purchasing five-year-old Toronto-based dealer Westwind Partners Inc. for US\$147 million in order to diversify into resource plays. The purchase comes just a week after Australian bank Macquarie Group Ltd. bought Orion Financial Inc. at the same price, and for the same reason.

Energy and mining have been the major drivers of financings in Canada since 2002. More than 50% of all funds raised in Canada year-to-date have been in these areas and these trends are expected to continue into the future. The resource sectors offer an excellent international platform for growth.

Westwind chief executive officer Lionel Conacher will become president of the U.S. dealer after the deal closes in January, while Mr. Weisel takes on the role of Chairman and CEO. The U.S. dealer is listed on Nasdaq and has a \$372-million market capitalization and went public last year, founded after Thomas Weisel sold his Montgomery Securities for \$1.2-billion in 1997.

Weisel has offices in six U.S. cities and Mumbai, India, and more than 600 employees, half of whom work at head office. Mr. Conacher said Westwind executives structured their firm along the same lines as Weisel after reading about the U.S. dealer in a Harvard Business School case study, and so is a natural fit with little overlapping interest.

By buying Westwind, Weisel expects to continue expanding its mining and energy teams. **"Weisel is betting that this is the 2nd inning of the commodity cycle, not the 7th inning,"** said Mr. Conacher. Westwind has offices in Calgary, Montreal and London, where it is active in the London Stock Exchange's small cap AIM market, which lists 1,687 companies.

This purchase raises the level of competition in already crowded Canadian equity markets. Canadian bank-owned dealers are increasingly targeting the same small-to-mid-cap resource companies that Westwind considers its target market, and most of the global dealers are beefing up investment banking teams in Toronto and Calgary. Westwind has raised over \$10-billion (Canadian) for clients and advised on \$1.5-billion of takeover in the past five years. Weisel's website shows it has been active on 688 deals worth \$209-billion since 1998.

What is interesting is that in one week two of the best boutique Canadian commodity investment banks have hooked up with huge pools of capital. These deals are not focused on capturing the profits of Orion or Westwind -- they are all about product. These massive pools of capital seek deployment into the emerging resource sector in Canada because the money wants to move down the market and Canada is the center of the universe for emerging resource investments.

Whether we are in the 2nd or even the 5th inning, this marks the start of the next key phase in this commodity bull-market. The smart money, sophisticated pools of capital, is aggressively looking to position into well-positioned small-to-mid-cap resource companies with a winning combination of strong management, emerging production and lots of blue-sky.

Eventually there will be a retail explosion into emerging commodity companies -- the ultimate liquidity event where we plan to cash in our long-patient chips. The cycle never changes, and these are still early days.