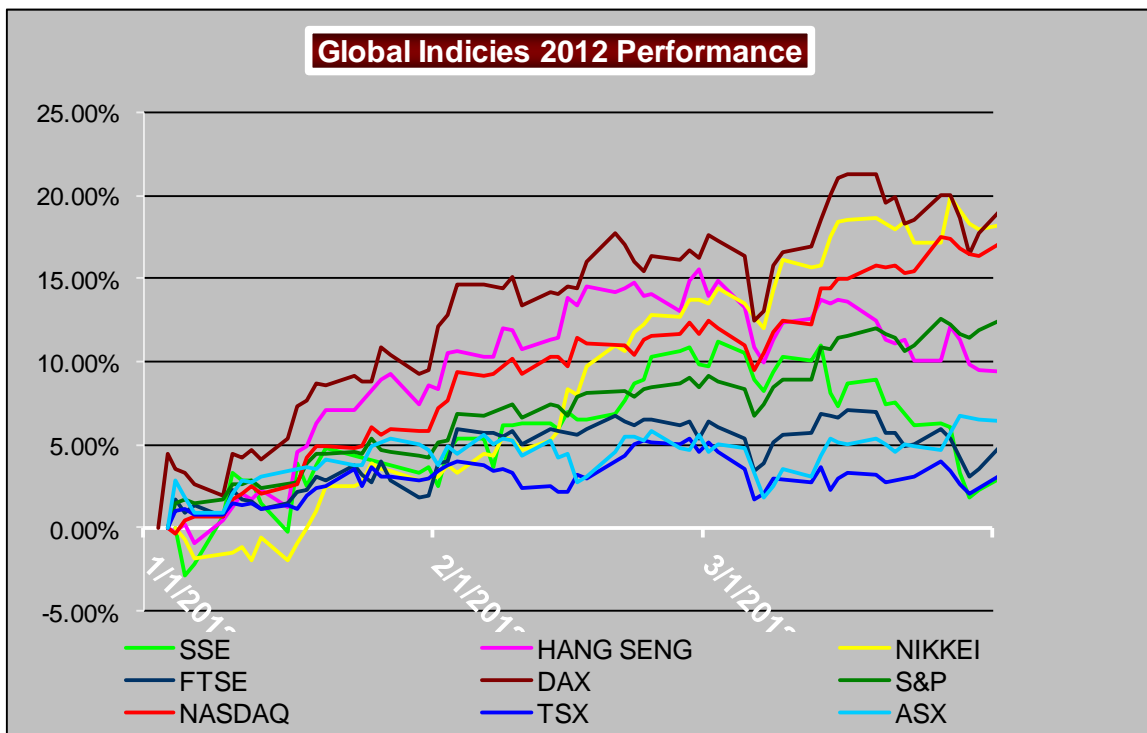


GDB May 2012 Newsletter

Monthly Market Summary:

2012 April Market Activity		
SSE COMPOSITE	2,396.32	+138.29 (+6.12%)
HANG SENG	21,094.21	+431.24 (+2.09%)
NIKKEI 225	9,520.89	-640.83 (-6.31%)
FTSE 100	5,737.80	-30.70 (-0.53%)
DAX	6,761.19	-212.80 (-3.05%)
DOW	13,213.63	+65.69 (+0.50%)
S&P 500	1,397.91	-10.56 (-0.75%)
NASDAQ COMPOSITE	3,046.36	-39.58 (-1.28%)
ASX 200	4,396.60	+47.20 (+1.09%)
TSX COMPOSITE	12,292.69	-88.79 (-0.72%)
TSX VENTURE	1,424.04	-143.36 (-9.15%)



Investment Themes:

With the recent wave of High Net Worth (HNW) Chinese Investors immigrating to Canada, we have been called upon by a number of our HNW clients to consider effective strategies to transfer and manage their wealth and assets overseas.

Under current modus operandi, wealthy Chinese immigrants conduct most of their financial transactions under the traditional banking system offered by various Canadian retail banks. The local financial institutions normally are the initial contact after clients arrive in Canada, while some banks may even be engaged at an earlier stage while the clients are still in China to assist with money transfer and foreign exchange. HSBC is the most prominent institution in this respect due to their global reach and network.

After the clients settle in Canada, the banks will normally advise clients to maintain checking and saving accounts with them, and from there on, gradually up sell their own bank related products such as mortgage, mutual funds, and wealth advisory services.

With many clients unfamiliar with the legal and financial landscape in Canada, the traditional channel often neglects to consider the overall picture of a client's portfolio and their legal and financial needs. For instance, in most cases, assets transferred from clients' country or purchased in Canada remain under the client's personal ownership, exposing them to potential creditors, litigators, and other personal liabilities. Such inconsideration is detrimental to wealth preservation, which is the primary reason why many HNW Chinese investors have chosen to relocate overseas in the first place. Even in some instance where clients do incorporate in Canada to conduct some or all of their investment activities, the solutions often follow the standard cookie cutter incorporation route, while not many other creative strategies are analyzed or explored to create a more robust tax-efficient holding structure. The more conventional banks and financial institutions will not offer such tailor-made services at the retail level as their agents are commissioned to be asset gatherers. They are paid based on the amount of bank-related products they sell to their customers. Consequently, there may be an inherent conflict of interests between the banks and our HNW clients. In addition, the retail advisors normally lack the sophistication and knowledge to create more complex financial structures to suit the specific needs of HNW clients.

Below is a table highlighting some of the issues we have encountered through our interaction with our HNW clients.

<p>Assets under sole ownership</p>	<ul style="list-style-type: none"> ➤ Assets exposed to personal liabilities, creditors and litigators ➤ Income earned from assets is subject to marginal tax rate of the individual. This could be significant higher than if the assets are held under other legal entities ➤ Confidentiality of ownership difficult to maintain as ownership is disclosed in many public registries
<p>Services offered by traditional retail banks</p>	<ul style="list-style-type: none"> ➤ Lack of portfolio investment approach. Bank offers traditional wealth management services that may not be suitable to meet Chinese HNW clients' needs ➤ Limited channels to alternative investments such as investments in real estate, farm land, arts and antiques, fine wine, etc. ➤ Conflict of interest ➤ Loss of control while handing over assets to a third-party manager
<p>Minimal Overseas Estate Planning</p>	<ul style="list-style-type: none"> ➤ Expose personal wealth to foreign governments upon death. Imposition of "forced heirship" rules

HNW Chinese investors often possess wealth equivalent to many institutional level clients here in Canada. Many of the HNW Chinese investors we have encountered have investable assets north of CDN \$20 million. Therefore, a family focused rather than product driven approach must be adopted. Mass majority of these clients also prefer hands-on control of their wealth rather than outsourcing wealth management to a third-party money manager. Therefore, we must work with clients to inform them of current investment opportunities coinciding with broadening their financial know-hows. This service model allows HNW Chinese investors to make informed investment decisions while maintaining ultimate discretion over their assets.

The first step in implementing the above discussed service strategy is to help clients decide on the ideal operating vehicle in where the asset management operations will take place. We will consider a number of tax-efficient vehicles suitable for HNW immigrant investors. Specifically, we will take a closer look at two viable options: 1) Panama Private Foundations, and 2) Immigration Offshore Trust

Panama Private Foundations

Note: Due to the lack of legal accreditation, we have sourced the information from third party expert opinion. We strongly advise clients to consult their own legal counsel and tax experts to verify the viability and tax implication of such strategy in their own circumstances.

Sourced from: <http://www.prlog.org/10674270-how-does-panama-foundation-work-panama-private-interest-foundation.html>

What a Panama Private Interest Foundation Is Used For

Use a Panama foundation as a holding entity for asset protection and privacy. Overseas assets of a Panama foundation are not taxed in Panama. The only taxation related to a Panama foundation would be if the foundation owned a business operating in Panama. In that case the business would be taxed, not the foundation. The foundation could receive post-tax dollars from the business.

A Panama foundation can own assets anywhere in the world. This includes bank accounts, patents, real estate, companies, personal

assets such as airplanes, cars, etc., royalty rights, stocks and bonds, and collectibles such as coins and stamps as a partial list.

An example of the asset protection of a Panama private interest foundation is that there is a three year statute of limitations on "fraudulent conveyance" – meaning after three years, no person can successfully challenge you in a Panamanian court for transferring assets to the foundation. Thus a Panama foundation will provide long term asset protection free from challenge of foreign jurisdictions after the initial three year period.

The Foundation's assets can only be frozen if the foundation itself is accused of doing something illegal in its own business dealings. Standard advice for a Panama foundation is to use the foundation as a holding company. If a company owned by the foundation has to deal with legal issues they do not spill over into other foundation business. Attorneys in Panama often suggest a Panama private interest foundation as a means of protecting you against a foreign attack on your assets as well as any possibility that Panama might ever change its laws regarding foreign ownership.

A Panama Foundation cannot engage in commercial activities in Panama but it can own a business that does so.

A Panama private interest foundation can continue in existence to provide asset protection in Panama for 120 years.

Off-shore Immigration Trust

Sourced from: <https://www.cibc.com/ca/pwm/pdf/estate-planning/offTrusts-en.pdf>

How offshore trusts work

An offshore trust is established under the laws of another country and is administered by a non-Canadian trustee, typically a financial institution. An offshore trust has a settlor, a trustee and beneficiaries. If the client is the settlor of the trust, they will fund the trust either by giving or lending property to it. A trust is separate from the settlor and its beneficiaries, and is governed by the laws of the country in which the trustee is resident.

The trustee becomes the legal owner of the trust property and is required to manage the property as directed in the trust deed. The

trustee is also responsible for distributing trust assets to the beneficiaries the settlor has named in the trust deed. The trustee has full decision-making powers over trust assets based on the provisions of the trust deed, and it is essential that the clients have complete confidence in their choice of trustee.

To maximize their effectiveness, offshore trusts are generally established in jurisdictions with little or no income, capital gains, or estate taxes, such as Barbados, the Bahamas and the Cayman Islands, and the Channel Islands. Those countries have local and international financial institutions including local offices of Canadian financial institutions that are experienced in acting as trustees, and have the legal and regulatory systems designed to manage offshore trusts.

Why use an offshore trust?

There are a number of potential benefits to offshore trusts. HNW clients can use them to:

- Facilitate the smooth transfer of wealth from to their dependants while they are alive or after death
- Preserve wealth
- Take advantage of lower rates of taxation that would apply to offshore trusts in certain circumstances
- Prevent the imposition of “forced heirship” rules, which dictate how assets are to be distributed on death in certain jurisdictions
- Reduce probate and other estate fees where applicable
- Preserve confidentiality with respect to clients’ assets and business affairs

The structure that is appropriate will depend on the client’s circumstances and their financial goals. Here are some typical situations in which offshore trusts may offer significant potential benefits:

1. *The client is planning to immigrate (or have recently immigrated) to Canada.* The assets in an offshore immigration trust can earn income and capital gains from foreign sources free from Canadian income tax for up to the first 60 months of the immigrant's Canadian residency. Because the duration of the Canadian tax holiday is based upon the time you are resident in Canada, setting up the trust prior to the move to Canada maximizes the benefits. However, setting up such a trust may generally still provide some benefits even if established within 60 months after immigration to Canada.
2. *The client is a Canadian resident with non-resident beneficiaries.* A properly structured offshore trust can be an effective way to distribute certain assets during the client's lifetime or under the client's will to family members who are not Canadian residents. The income earned in the trust and distributed to beneficiaries who are not resident in Canada should not be taxable in Canada, and will instead be taxed in the jurisdiction where the trust is established and the jurisdiction in which the beneficiaries live.
3. *The client is not a Canadian resident but has beneficiaries who are Canadian residents.* Depending on the length of time that the client has been a non-resident of Canada, an inter-vivos offshore trust can be set up and funded by a non-resident for the benefit of Canadian residents and can accumulate income tax-free offshore, and distribute capital tax free to Canadian residents. The same rules apply to offshore trusts established in the wills of non-residents of Canada, or former residents of Canada who have been non-residents for at least 18 months prior to their death.

We hope our clients find the above proposed structures informative for their asset management purposes. Again, we strongly recommend our clients consult legal and tax experts before implementing such strategy. Of course, we will be glad to facilitate the set up of such strategies with our network of professional contacts in Toronto and Vancouver.

Investment Opportunities:

1. Sino-GDB Fund

Fund managed by GDB Capital. Investments using hedging strategies and combinations of long/short positions in derivatives of public traded equities. Also private equity investments with a focus on mid-markets growth companies, distressed assets, M&A, and buyout opportunities. Industry focus targeted at metals and mining, oil and gas, clean energy, fertilizer and agricultural chemicals, real estate, and technology. Fund targets gross pre-tax IRR of 20% per annum, minimum investment US\$500,000.

2. Clear Hill – Iron Ore

The Clear Hills properties consist of ten Metallic and Industrial Mineral permits and four Mineral Leases comprising 76,652 hectares. The Clear Hills property encompasses three main project areas, Rambling Creek, Whitemud Creek and Worsley.

Estimate on Rambling Creek portion of the Clear Hills iron deposit contained 139,777,000 tons grading 33.04% Fe classified as Indicated Mineral Resources and 62,824,000 tons grading 33.70% Fe classified as Inferred Mineral resources.

It is noted that the Rambling Creek Iron deposit is associated with appreciable concentration of vanadium pentoxide (0.21%). Early work indicates that the vanadium may be recoverable during the DRI process.

3. Tampoon Resources Inc – Oil

\$50,000,000 private placement. Proceeds used for oil and gas exploration in Western Canadian Basin Oil Property Acquisition and Farm-in opportunity. Currently producing ~300bbls/d with significant reserve/deliverability (Est. 600bbls/d flush; 200bbls/d aver prod); 600,000 barrels 38-42 API/well.)

4. Open Range – Oil

\$10,000,000 private placement of preferred and common shares. \$5,000,000 preferred shares Series B – 8% Cumulative Dividend, Voting, Redeemable December 31, 2012 priced at \$1.00 per share. \$5,000,000 Common Share priced at \$1.50 per share. Proceeds used to increase land ownership from 11,000 acres to 70,000 net acres. Projected production is estimated at 2,000 BOPD for 2011.

Properties located in North Dakota where large US oil companies such as Hess, and Occidental Petroleum have both recently acquired a number of smaller firms.