



NORTH AMERICAN GEOPOLITICS – The Trend of Canadian Resource Assets Coming Under Control of Non-North-America Entities: The “Fourth Option”

By Jay Abella

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When one thinks of the term “geopolitics,” it tends to dredge up images of Zbigniew Brzezinski’s Great Game, the Straits of Hormuz, or Saddam Hussein’s smoldering oil fields. One doesn’t usually think of subtler matters closer to home – such as the Canadian oil sand bitumen extracts, emerging oil fields such as the Bakken formation (which is 99% untapped), or the vast system of Northern oil and gas pipelines and seemingly boundless mineral resources. However, Canadian inputs to the American economy are arguably *just as important* to the long term security of the United States as the former. The uninterrupted flow of these products is vital to the US domestic economy and underpins North American security. If the supply of energy, for example, were somehow threatened, then the balance of power in North America could become unstable. We term this situation unfolding before our eyes “North American Geopolitics.”

Specifically, foreign interests outside of North America have recently been purchasing a number of strategic Canadian resource and other important companies during the tenure of the Harper Government. Our concern is that if foreigners buy enough of Canadian resources and strategic assets, and divert them to their home countries, the US will be forced to possibly pay more for commodities which were formerly both relatively cheap and close. The effect on the US economy, driven by the decline in purchasing power of the US dollar, while probably not devastating, could ultimately impact our consumer driven economy domestically. The new reality, then, could be a sustained parity (or better) of the Loonie compared to the US dollar, and Canadian trading partners whose influence matches or exceeds that of the US.

Where we think our position departs from those asserted by others

When one considers the statistics regarding the daily supply and demand for Canadian produced petrochemicals (see below), we note that the majority of those products flow to the US. What is more revealing, though, is that while the US is involved in conflicts across the globe, the rest of the world is taking control of assets in North America, in some cases at a rapid rate. As a result, the conclusion we have drawn is that the US is engaged in foreign conflicts, not solely for energy independence but to defend the dollar as a global reserve currency.

Not to get too far afield, we note that every time one of the pillars of global capital markets crumbles, global capital markets seize. Witness, the withdrawal of troops from Vietnam, the Iran hostage situation of 1979, the failure of Bank Credit and Commerce International (BCCI), Long Term Capital Management, the bankruptcy of Enron, and the restructuring of AIG, Citigroup and Fannie Mae. The involvement of the US in keeping liquid world markets within a dollar standard has proven to be increasingly expensive, unwieldy and prone to financial accident. To us, it is no wonder that US

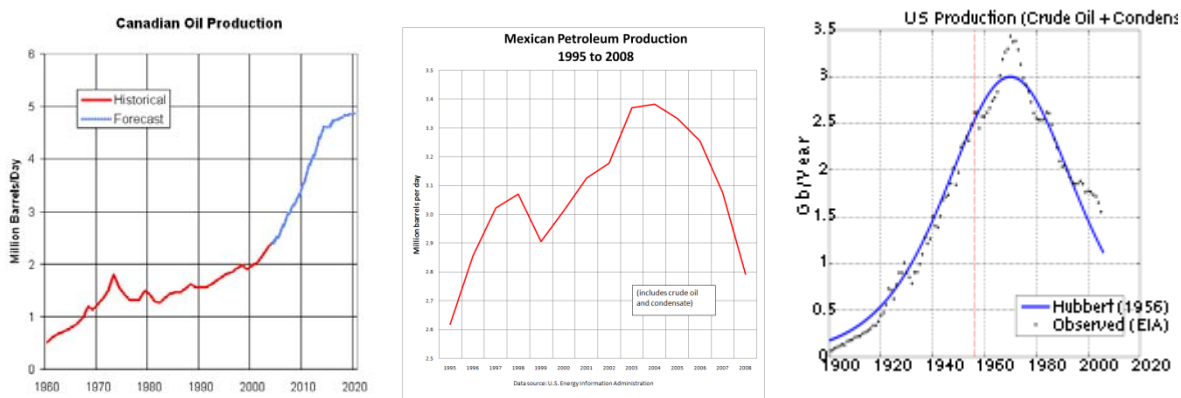
monetary policies at every turn are aimed at thwarting a reformation of the US dollar as the *de facto* world currency. But, these former missteps have arguably augmented the magnitude and likelihood of future financial hazards, and unearthed trends such as the transformation of the North American landscape. The collateral damage in North America is that infrastructure, resources, and know-how are being consumed by other foreign players whose policies *are largely outside* of a dollar based economic standard. This, to us, is one of the most interesting developments in the history of finance, and Canada has been at center stage for seemingly all of it. When one considers the extent to which this phenomenon has already taken place (as described below), and what could transpire is nothing more than the natural progression of a megatrend - the consequences of a tectonic shift in the monetary focus may be even more pronounced North of the 49th Parallel than anywhere else in the world.

It is our strong assertion therefore that one effect of the maintenance of dollar hegemony abroad has been a carving of up of North America.

While this process has progressed for nearly a decade, we have recently witnessed (in the case of a large Canadian fertilizer company), that there may be a line in the sand over which outsiders may not yet cross in their attempt to invest their dollar holdings. In the fertilizer company example, the company, who is the world's largest producer of that product, was denied the ability to sell itself for roughly \$39bn to an Australian firm. There are a number of political and economic reasons that were identified, some rooted in the laws of Canada, others less transparent. Regardless, the outcome is the same (for now) – the world may be ready to take an even bigger slice of the North American pie, but Canada is not yet prepared to let it go at any price.

However, if the global flight from the dollar standard continues because of US policies such as quantitative easing and perpetual multi-theatre wars to perpetuate hierarchy of the dollar standard, the US and Canada may have no choice but to allow even strategic assets to move to foreign ownership. The effects on the sovereignty of both nations could be astounding, as the oil example that follows attests. Consider some statistics;

- 1) The US imports roughly 20% of its daily petroleum usage from Canada (around 2mm bbls). This is essentially what it imports from Mexico and Saudi Arabia combined by comparison. (source US Department of Energy, EIA 2008)
- 2) Other North American production is in a distinct decline phase and has been for some time



Source of data in graphs: Canadian National Energy Board and US Energy Information Administration

The problems associated with the decline curve in Mexico have already been extremely well identified and chronicled. The issues with our northern border, we believe, have not.

- 3) Canada has the second highest proven oil reserves (>180Bn bbls, including 175bn from the oil sands) in the world behind Saudi Arabia (source Society of Petroleum Engineers).
- 4) The inclusion of the 175Bn barrels from the oil sands makes Canada a longer lived asset than both Iran and Iraq individually.
- 5) Canada produces 2.75mm barrel of oil equivalent per day (boe/d), 50% of which comes from its oil sands region.
- 6) Thus, the US consumes about three quarters of Canada's daily production.
- 7) Canada is the 7th largest oil producing country in the world.

What we will attempt to demonstrate is that the marginal interest for oil, natural gas, and other strategically important resource plays is incrementally being altered, thanks largely to the ascendancy of Asian interests. In effect, the relations we have shared with our neighbors to the north, while not yet stressed, may become entangled with the more traditional geopolitical concerns as Canada seeks, or at least permits, the continuation of a decade long diversification of foreign energy and commodity trading partners and owners.

Up to now, the United States has not publicly voiced its concern regarding the effects of a new buyer of Canadian oil and transport assets. However, if taken to its next logical step this trend could represent a tipping point for our relations with Canada going forward at minimum. *We assert that we are rapidly approaching a stage where US policy makers will be unable to ignore what is going on north of our border with respect to the sale or control of Canadian based pipelines or strategic resources that currently transport oil, gas, or other materials to the United States.*

Seemingly, the United States has taken for granted that a steady supply of energy and resources from the western provinces will continue to freely flow, at market prices, without intervention. So far this has been a cheap and reliable strategy versus the trillions spent by the US in overseas conflicts.

What follows however, is an analysis of the effect of major capital infusions into Canada from non-US interests to date (that apparently have yet to sound any alarms with policy makers in either Ottawa or Washington).

But bells might start to go off if the United States continues to amass large quantities of debt payable to the rest of the world in its capital-markets security efforts. Realizing that the following is a rather strong statement, it appears to us that the rest of the world is demanding a "peaceful" footprint in North America. Instead of taking stakes in California, Rockefeller Center, or toll roads, foreigners appear to be purchasing developed, strategic, and in some cases very long-lived, resource property assets from Canadian interests. Heretofore, the US and Ottawa have been "comfortable" with China, Korea and Anglo/European interests recycling US treasury debt and buying a portion of the oil sands, a smattering of coal projects and railways, fertilizer, oil refineries, etc. What we have yet to see (large Canadian fertilizer company being one of the lone exceptions), is when ex-North American interests become keen on acquiring port terminals, oil and gas hubs, new or existing pipelines that head to the Pacific for export (and not to Chicago), rail lines, strategic resources or telecommunications. We believe that the ultimate line in the sand, of which Canada represents a tremendous facet of US national security, will be drawn at the point at

which privately owned portions of US national security are threatened to be carved up among US creditor nations.

Special Comment

Before undertaking additional analysis, we at Investment Partners are avid champions of stakeholder ownership of claims to resources, lands and enterprises. Equally as important, we have the utmost respect for the sovereignty of Canada and therefore would consider strong armed input from the United States as over-reaching. As a result, the remainder of this paper should be viewed within the context of the staunch upholding of private property rights within the context of Canada being able to formulate its own policies regarding its resources.

Notable Historical Precedents – Past and Present

A shift toward protectionist policies is not new to the Canadian resource industry. In fact, there are at least three instances we can think of regarding the allocation of the private resources of Canadian Companies around the globe. The first was the National Energy Program, an outwardly protectionist philosophy whereby Canada desired to keep scarce resources at home during the oil shocks of the 1970's. The second, was the initiative by the government of Alberta to impose a royalty regime on energy producers in the province. The third, which we believe is now being revisited informally, is a return to what was known as the "Third Option." The Third Option was predicated upon finding new trading relationships for the country as whole.

What has changed in the present climate, however, is that to compete on the world stage, Canadian companies are not seeking new trading partners *as much as those partners are seeking ownership*. In Asia especially, the emergence of public/private partnerships such as state sponsored energy companies or sovereign wealth funds have become major players on the energy scene as they attempt to recycle US treasury holdings to a more tangible and strategic asset base. As such, *a hybridization has evolved whereby a potential "fourth option" has emerged without regard to who is making the investment decision*. Its central tenet is a "sold to the highest bidder" philosophy. This is embraced by shareholders at the possible expense of Ottawa and the provinces, and is currently being done so without strong protectionist measures, at least *for now*. This may change if ex-North American interests demand increasingly important strategic assets or threaten to permanently erode the tax base currently enjoyed by the Canadian federal or provincial governments as we are seeing recently in the case involving the large fertilizer company.

The National Energy Program and *de facto* Protectionism

From Wikipedia, "The NEP was introduced in the wake of the energy crises of the 1970s. Because of high oil prices, several economic problems that were beginning to manifest themselves through the 1970s were accelerated and magnified. Inflation was out of control and interest rates were through the roof. Unemployment was epidemic in the eastern provinces where the Trudeau government had much of its political support. The NEP was designed to promote oil self-sufficiency for Canada, maintain the oil supply, particularly for the industrial base in eastern Canada, promote Canadian ownership of the energy industry, promote lower prices, promote exploration for oil in Canada, promote alternative energy sources, and increase government revenues from oil sales through a variety of taxes and agreement. The

NEP's Petroleum Gas Revenue Tax (PGRT) instituted a double-taxation mechanism that did not apply to other commodities, such as gold and copper (see "Program details" item (c), below). The program would '... redistribute revenue from the [oil] industry and lessen the cost of oil for Eastern Canada...' in an attempt to insulate the Canadian economy from the shock of rising global oil prices. By keeping domestic oil prices below world market prices, the NEP was essentially mandating provincial generosity and subsidizing all Canadian consumers of fuel, primarily at Alberta's expense."

The fourth option is diametrically opposed to the National Energy Program in that it not only demonstrates a desire by Canadian enterprises (and regulators) to diversify the trade and ownership base of tangible assets, but also renders protectionist measures more difficult to enact as these assets are sold to parties around the globe. As a result, the only recourse policy makers have exercised during the fourth option was to utilize taxation at the provincial level (as well as the Investment Canada Act, discussed below) to stem both acquisitions and foreign direct investment. As we will see in the discussion below, unless such measures originate at the Federal level, one province will likely lose a competitive advantage versus the others. Historically Canada has been quite focused on maintaining such an advantage over the US as a nation. Provinces have been equally attuned to the competitive advantage principle - the recent example of what was witnessed in Alberta from 2007 to present the most notable example.

Alberta Royalty Regime

We seldom consider the downside of rampant resource production, only accounting for the functionality of the end user and the economy as a whole. However, since October 2007 the province of Alberta, where much of Canada's mineral wealth is located, has feigned environmental impact and fairness to stem the tide of the fourth option. The result was the advent of the Alberta Royalty Regime; legislation that was designed to extract a portion of the oil and gas wealth for redistribution within the province. The timing of this measure could not have been worse for two reasons a) petrochemical prices began to rapidly decline from the 2008 high of \$147 per barrel of oil and b) other producing provinces such as British Columbia and Saskatchewan were ramping up their efforts to attract drilling and production. The result was that by 2009, Alberta had to adjust its newly crafted onerous royalty rates back to pre 2007 levels and now have added other measures to encourage drilling, capital expenditure and exploitation. It seems that the third option as of this writing is now the official stance of both Federal and Provincial governments. They may have no other alternative. Witness the following discussion of oil and gas foreign transactions as well as a special commentary regarding the view of China toward Canada.

The Investment Canada Act – “An act respecting investment in Canada”

The Investment Canada Act (the Act) is a Canadian Federal law governing large foreign direct investment in Canada. The ICA was one of the first acts of Brian Mulroney's newly elected Progressive Conservative government, receiving royal assent on June 20, 1985. The Act empowers the government to forbid foreign investments of "significant" size if they do not present a "net benefit to Canada." As of 2010, Canadian policy considers a transaction over \$299 million to be "significant". Non-Canadians who acquire control of an existing Canadian business or who wish to establish a new unrelated Canadian business are subject to the Act, and they must submit either a Notification or an Application for Review. Recognizing that increased capital and technology benefits Canada, coupled with the importance of protecting national security, the purposes of this Act are to provide for the review of significant investments in Canada by non-Canadians in a manner that encourages investment, economic growth and employment opportunities

in Canada and to provide for the review of investments in Canada by non-Canadians that could be injurious to national security. (source: ic.gc.ca). The National Security Standard, promulgated in March 2009 considers political, economic welfare, the best interest standard, the location of head offices, taxes to the provincial and federal governments, the commitment of the acquirer to research and development, whether the acquirer is a sovereign wealth fund of another nation, are all considerations for foreign direct investment under the Act.

Within the context of the Act, we have outlined a myriad of transactions conducted by foreign firms acquiring assets and/or claims on resources or enterprises that were not deemed to be outside of the letter or spirit of the Act (see below). The lone exception, prior to the contemplated large Canadian fertilizer company deal was that which involved the sale of a company that provides commercial and residential land and property-related information solutions primarily for the financial services sector; and value-added geospatial information solutions for the surveillance and intelligence sector. A sale of this enterprise, it was determined under the Act to be a national security concern. (Note – the bankruptcy of a well known player in the telecommunications industry is described briefly below).

In the fertilizer company situation, the Australian mining giant was to deploy \$39Bn to secure a majority of the fertilizer reserve and production in the province of Saskatchewan. After a somewhat lengthy review process by both the province and Ottawa, as well as some jockeying from competitive bidders, including some from China, it was determined that the transaction would not meet the net benefit provision of the Act. There are a variety of views as to why this was so, ranging from local and national political fallout to a loss of tax revenues and employment, to potentially North American security. As a result, the deal was blocked and no new suitor has yet to emerge. More significantly, there have been no other deals proposed to rival the giant acquisition - the only exceptions being a mid-cap coal company being added to a US major coal producer and foreign-equity investment in two sizeable uranium companies, effected without having to acquire the entirety of the shares. This, for now, may be a compromise to foreigners wanting to invest in Canada without triggering a formal review under the Act. If allowed unfettered, the incremental influence of foreigners on the end use of Canadian resources has just become less expensive and tougher to police.

As more recent example, and supportive of our theory, a Chinese oil company announced February 10, 2011 that it will pay \$5.5bn for a portion of the assets of a major Canadian natural gas project. This deal is one of the largest of its type in history.

We marvel that the Act has not been employed to diffuse takeovers of key oil, gas, mining or other enterprises, regardless of whether they were perceived to be Canadian champion companies. Notable examples include transactions involving category leading platinum and base metals companies, oil sands leases, Canada's steel industry (almost wholly foreign controlled), a variety of copper concerns, and presently, a stampede by foreigners into sources of uranium. While it is uncertain the extent to which the Act will be enforced in the future, it is clear that it has not been in the past. It seems that the government has had few issues with foreign takeovers of mid tier Canadian companies, who, by themselves, predominantly did not cause either political or economic waves. However, as witnessed in the large Canadian fertilizer company case, there is a line in the sand forming with approximately 50 Canadian stalwarts that either symbolically or figuratively could cause Ottawa and the provinces to employ the provisions of the Act as stringently if not more so if foreign entities aspire to gain a further foothold in the

Canadian landscape. In the last section, we describe the deals which have already occurred as well as a description of roughly 50 companies whose acquisition would likely be carefully scrutinized under the Act.

Transactions of note with foreign interests – oil and gas

Before examining the voluminous number of individual energy transactions in Canada, we wish to note that there is a very interesting website that tracks the iterations of ex-North American interests in Canadian resources. It is called the East-West Energy Chronicle. The URL is <http://china-alberta.com/?p=766>. We believe the site does an excellent job at amassing developments and public statements made by representatives of foreign investment vehicles, corporations, governments or a combination of all three. What is most striking to us in our review of the articles is that the Chinese in particular are consistently declaring that Canadian investments are an integral part of the long term focus of the country and its state-sponsored investment pools. As the Toronto Globe and Mail reported recently, China leadership “loves” Canada, is seeking further diplomatic relationships, and will likely open permanent offices around the country dedicated to performing diligence on deal flow.

In our opinion, the website’s most succinct quotation is: “China’s mandate in Canada, is to look at investment opportunities, evaluate which are worthwhile and report back to decision-makers in China. Interest includes shale gas and oil – and especially the oil sands – and its ambition is to connect Chinese capital with Canadian opportunity. In fact, in January 2011, the Toronto Globe and Mail reported that China Investment Corp, the sovereign wealth fund of China has opened a Toronto office. This is the first foreign office opened by the sovereign wealth fund.”

Thus far, people within Chinese delegations have, slowly but surely, captured portions of formerly Canadian interests over the past few years. We think that this activity will become more frequent and pronounced in the future, as China’s ambitions accelerate and the abilities of Washington and Ottawa to continue oversight of these assets wanes. To wit, we analyze the following oil and gas deals, many of which have been sold to Chinese and Asian interests, as well as interests outside Canada. Notably, none of these deals has tipped the scales to the point that intervention was needed by North American governments (with very few exceptions).

What follows is a discussion of deals that have taken place in the recent past, mostly under the watch of the same Federal Government in Ottawa as exists now, that have not by themselves caused enough national stir to spark a debate. Notably, while Asian interest in energy assets is increasing even US energy conglomerates have been quite active in the quest for oil and gas assets.

(Note, we did not include deals that involved Canadian listed companies sold to ex-Canadian interests, since the assets involved were not located in Canada. Also not included is a discussion of the merger of two Canadian majors as well as two other mid cap mergers involving oil, gas and unconventional energy players.)

Syncrude Canada Ltd. – June 2010

Syncrude Canada is the world's largest producer of synthetic crude oil from oil sands and the largest single source producer in Canada. It is located just outside Fort McMurray in the Athabasca Oil Sands, and has a nameplate capacity of 350,000 barrels per day (56,000 m³/d) of oil, equivalent to about 13% of Canada's consumption. It has approximately 5.1 billion barrels of proven and probable reserves (11.9 billion when including contingent and prospective resources) situated on 8 leases over 3 contiguous sites. By 2020, Syncrude expects to extract the equivalent to 525,000 barrels per day (83,500 m³/d). Including fully realized prospective reserves, said production level could be sustained for well over the next 60 years. The company is a joint venture among seven partners. As a result, Syncrude is not traded directly, but rather through the individual owners. In June 2010, Sinopec Group agreed to pay \$4.65 billion for a 9.03 percent stake in Syncrude Canada Ltd. It purchased its stake from a US energy major, who is currently embarking on a \$10bn divestiture program.

Mid cap oil and gas income trust – May 2010

In May of 2010, one mid-cap oil and gas income trust announced its plan to sell 45% of its oil sands properties to China's Investment Corporation for \$817mm plus \$435mm of common stock. Under the terms of the deal, the oil and gas company contributed oil sands properties near Peace River, Alberta, valued at C\$1.8 billion, into a partnership, while China Investment will provide C\$312 million in up-front cash and then pay C\$505 million in development costs for the project. CIC will also take a 5 percent stake in the oil company, thereby raising C\$435 million for the trust.

In August of 2010, the same oil and gas company entered into an agreement with a major Japanese company to develop shale gas assets in northeastern British Columbia. The mid-cap energy player will work with the Japanese to accelerate the exploration and development of its assets in the Cordova Embayment and the Wildboy areas of BC. Under the agreement, a subsidiary of the Japanese Company will pay the oil and gas company \$250 million and commit another \$600 million for exploration and development expenditures. In return, the oil and gas company will grant the subsidiary 50 percent of its working interest in various assets in the region.

Toronto stock exchange listed oil-sands company – February 2010

In February 2010, an oil sands company sold a \$1.9bn stake in its MacKay River and Dover oil sands projects to a Chinese major oil company. This represented a 60% ownership stake. Both projects are described by the company as being situated on approximately 5 billion barrels of yet-to-be-developed bitumen, part of the oil sands lease holder's nearly 10 billion barrels of bitumen reserves. The Calgary-based company will continue to operate both projects, which will cost between \$15 billion and \$20 billion to develop. Commercial oil could flow by 2014, with an initial production of 35,000 barrels per day and subsequent phases reaching a total 150,000 barrels per day. The oil sands lease company is reported to own 1.7mm acres of land in the Athabasca region, with recoverable assets of over 8bn barrels of oil, over a 100 year oil supply.

Mid-cap integrated energy company – October 2009

In October 2009, a mid cap integrated energy trust announced that it has entered into an agreement with Korea National Oil Corporation ("KNOC") for the purchase of all the issued and outstanding trust units at a price of C\$10.00 per Unit for a total cash consideration of approximately C\$1.8 billion plus the assumption of C\$2.3 billion of debt. The company is a crude oil and natural gas production business is weighted approximately 70% to crude oil and liquids and 30% to natural gas, and is complemented by our medium gravity, sour crude oil refinery. It intends to produce 50,000 boe/day and has proven and probable reserves of 200 mm boe.

Oil sands lease holder – November 2009

In November 2009, another oil sands lease holder announced the disposition of its 50 per cent working interest in Alberta Oil Sands Lease Nos. 421, 022 and 023 (the "Lease 421 Area") located east of the Firebag River in north-eastern Alberta. A US and a Canadian integrated have agreed to jointly purchase the working interest for C\$250 million. The company was the subject of an unsuccessful bid from a European major energy company.

Oil and gas producer – June 2008

On June 23, 2008, another energy company announced an agreement to sell its interest in the Joslyn oil sands lease for \$500 million to a US major energy company. The Canadian target firm was not the operator of the lease the operator of the Joslyn Project but now has a 165% working interest.

Mid-cap energy trust - 2007

A mid cap energy Trust was sold to Taqa, the state sovereign wealth extension of Abu Dhabi. The transaction was valued at \$5.0 billion. Additionally, Taqa also purchased another energy income fund by way of the initial target.

Oil sands lease holder– July 2007

On October 18, 2007, a US integrated oil company completed its acquisition of an oil sands lease holder for a combination of cash and stock amounting to Cdn\$3.8 billion plus warrants on a new company that was carved out of the deal.

Subsidiary of a worldwide integrated petrochemicals company – April 2007

In April 2007, the subsidiary of a major European energy company announced that its parent acquired all of the remaining outstanding common shares of the subsidiary pursuant to the compulsory acquisition procedures available under the Canada Business Corporations Act. The major now beneficially owns 100% of the common shares of the subsidiary. At present, the Peace River and Cold Lake assets are expected to produce around 90,000 boe/day, while Muskeg and Jackpine mine are thought to have a 7bn bbl resource potential (source major oil company presentation Sept 30, 2010).

Transactions of Note with Foreign Interests – (Excluding Oil and Natural Gas)

The scramble for world class resource or otherwise bankable assets has not only occurred in oil and gas but within the strategic mineral complex as well.

Date	Acquirer	Price	Acquisition target profile of Canadian company
Jan 2006	US private equity firm	1.6 bn	Canada's oldest company
Mar 2006	Large global steel company	5.6 bn	Key steel supplier
May 2006	Prince al-Waleed bin Talal – Saudi Arabia	3.9 bn	Former hotel arm of Canadian pacific railway
Aug 2006	Large base metals company	18 bn	Nickel, copper, zinc
Oct 2006	Brazilian metals company	19.4 bn	Nickel
Oct 2006	US chip maker	5.6bn	Graphics microchips
June 2007	Private equity	1.7bn	Largest water heater rental company in Canada
Nov 2007	Multinational resources company	38.1bn	World's largest aluminum miner
June 2007	Indian steel company	1.85bn	Steel
	US based steel company	1.1bn	Steel
2008	US technology company		Rejected – national security test
Oct 2008 – July 2009	China Investment Corp – sovereign wealth fund	1.74bn	17.2% of the combined company
2009	Uranium (India)		Negotiated by Prime Minister Harper
June 2009	Various ex-Canadian interests	~2bn	Telecom assets
Nov 2009	US iron ore company 19% owned by China	88mm	bought out other partners in iron venture
June 2010	Brazilian steel company	7.0bn	Major steel player
Oct 2010	Australian resource conglomerate		Fertilizer company - Rejected – net benefit test
Nov 2010	China Nuclear power company		29mm pounds of uranium in supply deal
Nov 2010	Korea Electric Power		Sold 20% stake in uranium company
Nov 2010	ARMZ (Russian state)	610mm	Partial stake in WY (US) mines
Nov 2010	US coal company	3.3bn	Mid cap coal producer
Dec 2010	Large steel company	433mm	Undeveloped high grade iron ore
Jan 2011	US iron ore company 19% owned by China	4.9Bn	Large iron ore deposits
Feb 2011	Chinese energy major	5.4bn	Stake in a major natural gas project

Conclusion

As discussed above, there are roughly 50 additional companies over and above those with whom deals have been consummated that would likely trigger protective measures by Canada (with possible covert US influence) if an outright acquisition by an ex-North American interest were contemplated. These include the spectrum of resource companies, midstream oil and gas pipeline companies, transportation and storage, rails, ports, telecommunications and media, other critical infrastructure and technology. Since the case of the contemplated fertilizer transaction, we have noted a shift from outright acquisition to sales of portions of enterprise assets for predetermined prices – the logical offshoot to the fourth option at work.

The political and economic landscapes in North America have changed and will continue to evolve as long as the US continues to prioritize a) its middle-eastern foreign-policy initiatives and b) its efforts to maintain global dependence of the US dollar as a reserve currency. The enterprises which have served as the catalysts for the continuation of a megatrend will likely continue to attract interest from foreign sources of capital. What is obvious to Investment Partners is that the consequences (unintended or otherwise) of the continuation of the dollar based monetary order will likely impose further stress to the old, workable, cheap and efficient order in North America. If this paradigm is allowed to shift to its natural progression, then the US will have complex policy problems on *both* of its borders over which its ability to exert control wanes seemingly daily. This should contribute to the ascendancy of Canada through both its third and fourth options, if it can adequately transform its economy to a blended fusion of domestic service and resource export across several continents and partners. If not, the North American Geopolitical debate is only in its infancy, with unforeseen future results.

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