

**Today's Notes:**

- 1. Merry Health Care**
- 2. The Mexican Game is ON**

**1. MERRY HEALTH CARE**

There are now more Hogs in Washington DC than at anytime in recent history. I am not referring to the Washington Redskins. In an undemocratic effort to push a mysterious health bill (which will encompass 1/6<sup>th</sup> of the world's largest economy) through congress (58 Dem Senators plus 2 Independents) voted and will vote with no input from Republicans before Christmas. Congress is giving away more American tax payer money which will be financed through higher taxes. The Swine in D.C. will be back at the debt trough to luxuriate in the glow of behind close door deals. Bi partisanship is gone. Public opinion, according to PEW, is against the new bill. But who care sin Washington – its all about how many taxpayer dollars each Democratic senator can scam for his or her constituency.

Democratic Senator Mary Landrieu from Louisiana received \$300 million for her constituents in return for her vote for the health care bill. Senator Ben Nelson (Dem Nebraska) has cut the deal of the millennium, though, with exquisite timing. For his vote on health care he has received the penultimate bribe. It turns out that each state will now pay for new Medicaid for Nebraska. This will amount to hundreds of millions of dollars.

The United States has lost its way with wayward leadership on both sides of the aisle – about that there is no doubt. The founding fathers who so carefully crafted the Constitution, Jefferson, Washington and Monroe, would never have believed that their venerable Constitution could be so badly desecrated. But the fact is that it has indeed suffered. Under these ominous and hurried circumstances there is even a provision that a new administration / Congress cannot revoke the current changes. Legal experts tell me this provision is clearly unconstitutional.

This is a time of year when we should all be thankful for our many blessings, but to be honest there is plenty of shame to go around these days. Everyone in Washington seems to be “on the take.” The level of morality in the country has suffered an ignominious blackening at the hands of greed, that same greed that Washington insiders now blame on Wall Street insiders. Perhaps our yearly greeting should be:

Merry Health Care and a Happy Tax Year.

The New Year? Forget it. It will be filled with more graft and corruption such as my generation has not seen. What really bothers me is that this is coming from the top. Plan your future very carefully. The Congress is polarized and hell bent on change even if we (the People) do not understand it. Here are **a few** of the bribes Senator Reid paid for votes as reported by the WSJ including the lucky recipient:

1. \$10 billion in funding for community health centers. Independent Sen. Bernie Sanders of Vermont, who had threatened to vote against the bill, and other liberals.
2. Federal government to cover 100% of cost of new Medicaid recipients in Nebraska Sen. Ben Nelson, Democrat of Nebraska. This makes every other Democratic Senator a sucker, of course. Every other state will be paying for Medicaid recipients in Nebraska.
3. No new tax on cosmetic surgery. Requested by the American Medical Association who endorsed the bill.
4. Higher Medicare payments in states where at least half the counties are 'frontier counties' with low population density. Requested by North Dakota Democratic Sens. Byron Dorgan and Kent Conrad, as well as other senators from lightly populated states
5. Certain nonprofit insurers are exempt from tax on health insurers in bill Sen. Ben Nelson and Mutual of Omaha, whose supplemental Medicare plan would be exempt.

This could never happen in my homeland of Canada with its parliamentary system. Yes, I know Canadians are saying that these things happen in Canada also – but never, never on a scale of this magnitude, against the wishes of the majority and with such impunity. Hell in Canada one non-confidence vote and the whole rotten bureaucracy would tumble. This is one weakness perhaps our forefathers in the US neglected to consider.

Morally the problem is that not one voting senator has read and understood the **entire** 2,000 page bill – I can guarantee that. Also the Congressional Budget Office has not yet opined on the potential savings (or additional costs) of this bill. But we do know one thing – health insurance premiums on small businesses will be much higher as they will be for individuals. How can this be good for the United States? Please remember one thing – each and every American has one vote in this issue – use it wisely.

## **2. MEXICO: THE GAME IS ON**

Newmont and Fresnillo (Penoles) have made a counter offer for Canplats. You will recall that Goldcorp recently made a deal to acquire Canplats and hence consolidate its position in Zacatecas around its Peñasquito assets. In effect the Newmont / Fresnillo (NF) offer trumps that made by Goldcorp which now has five days to counter. Newmont is one of the world's largest gold miners and Fresnillo is the world's largest silver miner, a spinoff from Penoles.

Goldcorp has already indicated that they will match the NF offer. You will also recall that Goldcorp and Quaterra recently announced an exploration agreement in central Mexico. This morning's bid by NF is highly significant for both Goldcorp and Quaterra in my view. Goldcorp is trading up almost \$1 as I write. We shall see where GG closes this day when the markets are usually sloppy and illiquid.

In my view this means the big mining companies are stepping into Mexico. I would not be surprised to see Goldcorp “taken out” in a merger transaction over the next year or so. Central Mexico is ripe for the pickings. Ten years ago the huge silver and gold deposits at Pitarilla (Silver Standard 2003) and Peñasquito (Western Silver 2005) were not known.

There are surely more world class discoveries in the states of Zacatecas, San Luis Potosi and Durango in the wings. We think Quaterra quietly picked up has some of the best targets.

In fact we think the GG recently transacted the deal with Quaterra because the QMM team of Tom Patton and Tom Turner has very carefully cherry-picked over a dozen large properties encompassing almost 1,000 square miles. Quaterra is already piling up the silver ounces on its Nieves property. It is the building of an exploration and development pipeline that initially discovers the massive Pitarillas and Peñasquitos.

The Goldcorp and Quaterra exploration team has a significant advantage in central Mexico in this regard. The tax loss selling season has just about run its course – therefore we look for a breakout in Quaterra shares.

Newmont and Penoles see the Central Mexican promise. I think Barrick will also be in this game before long. The strategic placement of Quaterra’s assets in Mexico is going to be valuable to someone. Goldcorp would also appear to be in the crosshairs this AM. I think Goldcorp is a very cheap stock this AM.



Regarding the Goldcorp Quaterra transaction, Goldcorp’s Exploration Chief Charles Ronkos said,

***"This agreement brings together two talented teams that separately delineated and built the world-class Peñasquito deposit. Joining forces to explore this prolific area will increase our chances to make additional important discoveries."***

Quaterra's CEO Tom Patton said, ***"This agreement provides a strong incentive for us to be successful in our exploration efforts ... In the generative phase, Quaterra will be relying on the same exploration team that made the initial Peñasquito discovery in Zacatecas State, Mexico, which was later acquired by Goldcorp. In the advanced phase, Goldcorp has the option to bring its formidable development and mine building expertise to the table."***

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