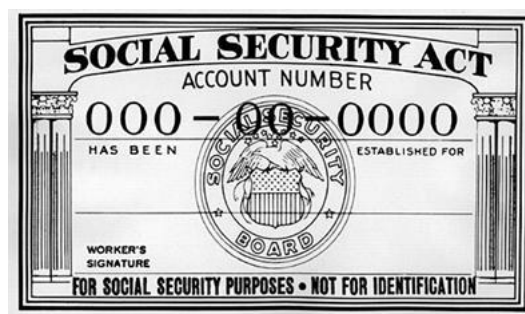


Today's Notes:

1. In the Beginning, Only a Simple Safety Net

On January 1, 2011 the oldest Baby Boomer turned 65 years old, the magic Golden Age of retirement in the United States. 65 years of age has been the magic number for all Americans and Canadians in terms of their retirement planning. In the United States it has been a sacrosanct right of passage that at age 65 Americans could retire and receive a stipend, in the form of an annuity, from all the FICA taxes they had paid into the Social Security system during their working lifetime. Not long ago Americans could retire at 63 years of age and receive a smaller stipend. Full retirement age in the United States now 67 years and we expect this in the next decade or so ago to 70 years. These are a few of the continual changes that have been made to keep the struggling system alive albeit on life support.

Americans and Canadians are living longer; they're healthier than their parents and capable of working longer. However, around the world today fertility rates are dropping everywhere. A recent article notes that everywhere with the exception of India and the United States replacement fertility is below the minimum number of 2.1 children per family. This means, of course, in both the United States and especially Canada that the productivity of fewer young people will be supporting many more retirees as the great wave of postwar baby boomers burdens society with their quality of life acquirements such as medical care for the next two decades. In short, the world is getting older. Interesting enough the Boomer cohort will have a great deal this is about the way the country is run in the next 2 to 3 decades.



An Old Social Security Card Which Specifically States It Is Not to Be Used for Identification

In the wake of the Great Depression the safety net of Social Security was unveiled by President Franklin Roosevelt. At the time it was designed to be a simple safety net, not a guarantee of lifestyle to which it has now morphed. The trauma the Great Depression caused was experienced and well understood by my parents. They saw the bread lines, the poverty and the wealth destruction – all endemic to the Great Depression. Leaders naively believed that all this pain somehow would be banished forever by Social Security.

In the beginning, Social Security was to be voluntary. It is no longer voluntary but a form of mandatory taxation.

In the beginning, participants were asked to pay 1% of the first \$1400 of their earnings. Today is 7% of the first \$90,000.

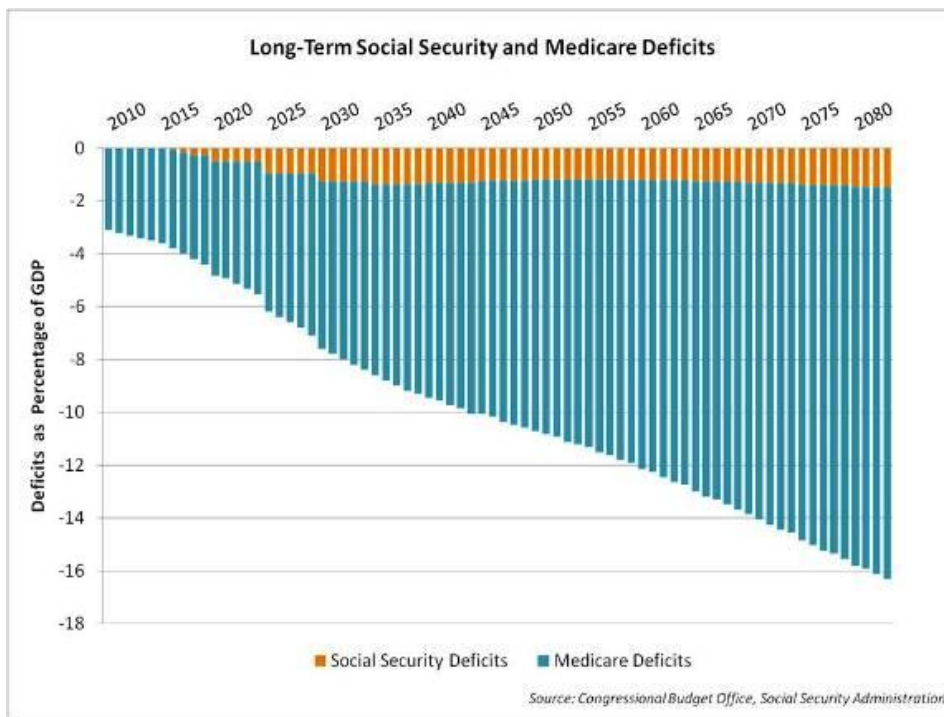
In the beginning, Social Security premiums were tax-deductible no longer today. Social Security taxes were to be put into an independent trust fund and not used for other purposes. In the 1960s that aspect was changed and the money was moved to the general fund and spent.

In the beginning, the annuity payments to retirees were not to be taxed. In the 1980s that was changed and all benefits are now taxable.

In the beginning, only American citizens could receive Social Security annuity payments upon retirement. Today immigrants restart receiving Social Security payments when they turn 65¹.

And so you can see how a program that was well-meaning in its infancy has been tortured over the past 75 years and therefore has morphed into a monster that threatens to devour our economy. Analysis must also include Medicare benefits. George Mason University, in Arlington Virginia, published this 2009 forecast of Social Security and Medicare deficits. The Social Security and Medicare deficit is now projected to be a \$ 45.9 trillion dollars over the next 75 years. In Washington our leaders recently reduced the Social Security tax in order to stimulate the economy. The researchers at George Mason concluded,

" Medicare and Social Security accounts are currently in cash flow deficit, these deficits are projected to continue and grow into the future, from around 3% of GDP in 2010 to 16% of GDP in 2083. These accounts represent a liability of \$45.9 trillion over the next 75 years."



¹ Many thanks to Augie Pitrolo for pointing out these changes in the SS system over the decades.

It matters little whether it's Social Security or Medicare. Deficits in both continue to reinforce and grow. Left unchecked they will serve eventually to sink the country as they cumulate to 16% GDP. No country can withstand the monstrous deficits to which this Great Depression social net has transmogrified.

On December 20, 2010, the Pew Research Center published a detailed assessment of the Baby Boomer generation's feelings. They suggested,

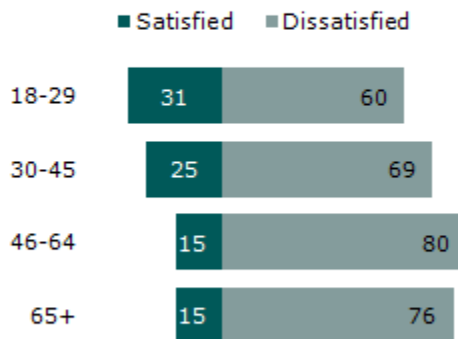
"this famously huge cohort of Americans finds itself in a funk as it approaches old age."

Pew tells us that today this is a cohort that is very unhappy and extraordinarily concerned. They report that 80% are dissatisfied with the way things are going in the country today.

For the next 19 years more than 10,000 will cross the threshold daily and by 2030, when all baby boomers will have turned 65, 18% of the nation's population will be trapped in the government's safety net.

Satisfaction with Direction of Country

Are you satisfied or dissatisfied with the way things are going in this country today?



Note: Survey was conducted Dec 1-5, 2010, N=1,500.

PEW RESEARCH CENTER

Pew reports, that 21% of Boomers say their standard of living is lower than their parents' was at the age they are now. Among all non-Boomer adults, just 14% feel this way, according to a May 2010 Pew Research survey. The same survey found that 34% of Boomers believe their own children will not enjoy as good a standard of living as they.

But there's good news. Most Baby Boomers don't feel they should retire before the age of 72. Pew reports over 60% of boomers say they feel younger than their age. This is good news given the ongoing trauma (state and local problems, sovereign bond issues in Europe, underfunding of retirement benefits, and the moribund housing industry here in the US) in the financial markets around the world. Boomers are going to have to continue to be wealth creators for another decade or so.

Here's another interesting fact. Half of the Boomers use social networks and are adapting their lifestyles to the digital world. Pew reports that while they narrowly favored President Obama in the presidential election, they favored the Republicans 53 % to 46% in the midterm elections, a considerable shift.

In 1970 this cohort of Boomers, including yours truly, were kids entering the job market. The US public debt was \$238 billion. This was 28% of gross domestic product at the time. As the first Baby Boomer slipped into retirement this past January 1st, there is \$9 trillion of publicly held debt, roughly 62% of GDP.

This is certainly not a reassuring legacy for Junior and the grandchildren's children.

Boomers today recognize they lost a significant amount of the fruits of their lifelong work during 2007 to 2010 timeframe. 57% say their household expenses have worsened. Pew tells us that boomers are cutting spending dramatically, a situation which could impact GDP. Finally 60% of those older than 50 years of age, and approaching retirement, say they will postpone retirement in order to replenish bank accounts. You are probably wondering why we spend so much time on this issue. It is not only out of self-interest.

We want to propose the idea that in the next two decades 79 million Baby Boomers can have a positive impact on their personal financial situation and on the country as a whole by investing a prudent portion of their portfolio in discovery opportunities. We have shown this to be true over the past decade of investing in natural resources, biotech and high-tech discovery opportunities.

It is certainly true that not all discovery opportunities yield great wealth. Many companies fail because they tend to be quite risky. But it is also equally true that some will succeed and those that do will make up for the ones that do not. The advice is always the same. If you are in the 50+ age group category limit your asset allocation to discovery investing to a comfortable level (5% to 10%?), diversify across a dozen or more companies that you find interesting and then do a great deal of due diligence on each one and continue that due diligence to monitor the progress the company is making in its discovery quest. Use our ten Point Grid for a learning experience.

In the last year alone a number of significant gold discoveries in the Yukon, Colombia and Guyana have created significant wealth for friends of mine who read these Morning Notes. The same is true of shareholders of SandSpring Resources, GMV Minerals and Geologix. We think the advent of critical metals (electrification) will be a great hunting ground for discovery investors. Companies such as Quest Resources Avalon Rare Earth and Stans Energy have the potential for significant discovery wealth creation. And of course we look at the cancer field with great interest and awe at the discovery progress being made there.

We hope you will come to Vancouver this Friday and Saturday. Cambridge House will host a Global Critical Metals Symposium with most of the top critical metals companies in the world present. You can see a list of these companies on the Cambridge House website. I will be chairing this symposium for the two days beginning Friday and ending Saturday. In addition to almost 30 company presentations you will find keynote addresses from critical metal experts such as Jack Lifton, John Kaiser, Frank Holmes and many others. Please come and be prepared to think discovery and be prepared also to replenish your portfolio.

The material herein is for informational purposes only and is not intended to and does not constitute the rendering of investment advice or the solicitation of an offer to buy securities. The foregoing discussion contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (The Act). In particular when used in the preceding discussion the words “plan,” confident that, believe, scheduled, expect, or intend to, and similar conditional expressions are intended to identify forward-looking statements subject to the safe harbor created by the ACT. Such statements are subject to certain risks and uncertainties and actual results could differ materially from those expressed in any of the forward looking statements. Such risks and uncertainties include, but are not limited to future events and financial performance of the company which are inherently uncertain and actual events and / or results may differ materially. In addition Dr. Berry may review investments that are not registered in the U.S. We cannot attest to nor certify the correctness of any information in this note. Dr. Berry owns shares in all the companies mentioned in this Morning Note. These include Sandspring Resources, Geologix and GMV Minerals. Please consult your financial advisor and perform your own due diligence before considering any companies mentioned in this informational bulletin.

ⁱ Many thanks to Augie Pitrolo for pointing out these changes in the system over the decades.