Stateside Report

" A Unique Report Service for the Intelligent Resource Investor"

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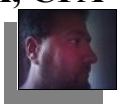


The Stateside Report presents:

"Under the Rocks"

January 31st, 2011
Issue #5

"Discovering hidden opportunities in the Canadian junior resource sector"

Included in this report:

- **Recap of the 2010 "*Under the Rocks*" stock performance**
- **New hidden opportunities in the Canadian junior resource sector including:**
  - **49 North Resources (FNR) – The one stock to own in 2011**
  - **IEMR Resources (IRI)**
  - **Mediterranean Resources (MNR)**
  - **Manitok Energy (MEI)**
  - **Troy Energy (TEG.H)**
  - **Newton Energy (NTN)**

Recap of the 2010 "Under the Rocks" Stock Performance

As long-time readers know, I have been publishing research on the Canadian junior resource sector since 2005. During that time, we have had many successes (and a few flops) but the intent has always been to introduce you to companies that you may not have heard of before so that you can perform your own additional research and determine the potential of the company. Almost all of my selections in the past had never been written up by other resource analysts or newsletter writers and I take great pride in being the first to discover an unknown investment opportunity. I have had many readers tell me that they read reports on companies profiled here that other more well known newsletter writers and analysts start covering 6-12 months later. One such example was the Southern Alberta Basin Bakken Play report issued in June. Since then, this area has received quite a bit of attention and the two juniors mentioned in the report (Mountainview Energy and Primary Petroleum) have more than doubled in price (http://www.statesidereport.com/Mountainview_Energy_June_2010.pdf) as others began to see the exciting potential.

Beginning in September, I introduced a new monthly report format called "*Under the Rocks*". The companies included in this report have similar attributes to the companies I have been providing research on over the last 5 years, namely no current newsletter or analyst coverage. These companies typically have tight share structures (although not always), sound technical parameters (the stock price has not yet moved up appreciably) exciting properties that are relatively unknown and news forthcoming over the next few months which may have a positive impact on the company's stock price. So far, the average performance of the companies profiled in the first few issues have far outperformed both the TSX Venture and the general markets as shown below:

September 2010 Issue: (Average gain of all 10 stocks of 135%)

Company	Symbol	Initial stock price 8/30/10	Stock price at 12/31/10	Gain/(Loss)
Artha Resources	AHC.V	0.14	0.23	61.00%
Northern Superior	SUP.V	0.28	0.84	200.00%
Northern Rand Resources	NRR.V	0.3	0.42	40.00%
Meritus Minerals	MER.V	0.13	0.2	54.00%
Golden Peaks Resources	GL.TO	0.32	0.54	69.00%
Colt Resources	GTP.C	0.28	0.74	164.00%
Lovitt Resources	LRC.V	0.38	0.61	60.00%
Passport Energy	PPO.C (formerly CVA.C)	0.19	0.27	42.00%
Blacksteel Energy	BEY.V	0.45	0.37	-17.00%
Canadian Intl Minerals	CIN.V	0.08	0.62	675.00%

October 2010 Issue: (Average gain of all 8 stocks of 26%)

Company	Symbol	Initial stock price 10/22/10	Stock price at 12/31/10	Gain/(Loss)
San Marco Resources	SMN.V	0.45	0.4	-11.00%
NS Gold	NSX.V	0.35	0.37	6.00%
Claim Post Resources	CPS.V	0.24	0.21	-12.00%
Raimont Energy	RMT.V	1.2	2.7	125.00%
McChip Resources	MCS.V	1.35	1.8	33.00%
Corona Gold	CRG.TO	0.84	1.47	75.00%
Petro Reef Resources	PER.V	0.37	0.35	-5.00%
Metalore Resources	MET.TO	8	8	0.00%

November 2010 Special Moly Issue: (Average loss of all 5 stocks of 6%)

Company	Symbol	Initial stock price 10/29/10	Stock price at 12/31/10	Gain/(Loss)
Columbus Yukon	CYU.V	0.18	0.17	-6.00%
TTM Resources	TTQ.V	0.3	0.29	-3.00%
Bard Ventures	CBS.V	0.08	0.08	0.00%
NMC Resources	NRC.V	.90 (post-consolidation)	1.01	12.00%
Kingsman Resources	KSM.V	0.12	0.08	-33.00%

December 2010 Issue: (Average gain of all 5 stocks of 22%)

Company	Symbol	Initial stock price 12/6/10	Stock price at 12/31/10	Gain/(Loss)
Vantex Resources	VAX.V	0.22	0.4	80.00%
Gold Reach Resources	GRV.V	0.5	0.5	0.00%
Active Growth Capital	ACK.V	0.21	0.23	10.00%
Auro Resources	ARU.V	0.2	0.23	15.00%
Kokanee Minerals	KOK.V	0.28	0.29	4.00%

As we embark on a new year, the companies profiled in this January issue are concentrated primarily in the energy sector which lagged most other commodities in 2010. The stocks in this sector are generally undervalued versus their peers and several seemed poised to move into catch up mode. One company in particular, 49 North Resources (FNR.V), has so many unknown stories within the company that I consider it the one stock to own if you could only own one stock in 2011. As always, this research should be used as a starting point to conduct your own due diligence.

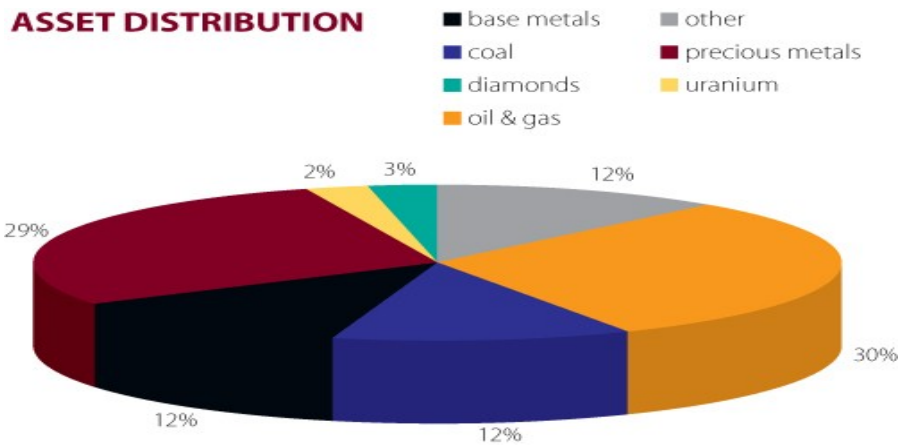
I wish you all a very happy and prosperous 2011 and will continue to strive to find those companies "*Under the Rocks*" as I have over the previous 5 years.

Sincerely,

Vince "Stateside" Marciano

49 North Resources (FNR.V)

Current Share Price (1/31/10) - $2.59/share
Outstanding Shares – 12.3 million
Current Market Cap - $32 million
Website: http://www.fnr.ca/index.cfm



75% Off Sale - For a Limited Time Only

As loyal readers know, I like to look for those over-looked opportunities that for one reason or another the market doesn't fully understand. These types of opportunities aren't available in the general markets as analysts are tripping over themselves covering all stocks in all sectors. However, in the Canadian junior resource sector, these opportunities exist thanks in large part to the lack of analysts covering this sector. Unless a company is banging down the doors of the institutions or actively promoting their company, a company's stock price can, for a period of time, not reflect the underlying value of the business. In the case of 49 North Resources, I have never seen such a market price disparity as of the date of this report. 49 North has a current market cap of just over $30 million with assets that should be worth well over $100 million by the end of this year.

49 North Resources is an oil and gas production company but no one knows it yet. Until recently, 49 North had been thought of as a mini Pinetree Capital as it owns shares in over 100 junior resource companies. However, unlike Pinetree, it own 90% of an oil and gas company called Allstar Energy Limited based in Saskatchewan that should be worth over $50 million to 49 North right now based on public company comparables. Allstar drilled 5 horizontal heavy oil wells in the Kindersley area this Fall and followed up with an additional 5 wells a few weeks ago. The first five wells have been producing since the end of October and results are expected any day now. Management stated in December that results have exceeded expectations and expectations were for a minimum of 75 BOD. These numbers are free flowing without any pumping which would increase the results significantly. Management expects at least 1,000 BD production by this summer. At least 15 more wells will be drilled in 2011 for a total of 25 horizontal wells.

As a comparison, Compass Petroleum is producing approximately 1,000 BOD from this same Kindersley area and the market has given them a $50 million market cap. Since 49 North values their private investments at cost, they publicly show a NAV of under $4 million. Once they do an IPO later in the year valuing them well in excess of $50 million, the market will realize this severe dislocation in asset values. Since there are no analysts covering this stock nor any newsletter writers, the stock price doesn't reflect this value. Since management has done little to promote their company, the stock price doesn't reflect this value. This 75% off sale won't last very long. Once management starts announcing production results, the analysts and newsletter writers will start covering 49 North. I'm covering them now.

You can go to their website at http://www.fnr.ca/html/portfolio/index.cfm to see their top 15 investments and listen to their last 12 monthly conference calls. In the calls, you'll hear how they purposefully underestimate the value of their holdings to under promise and over deliver. Listen to the December call if you only have time for one. You'll hear they own shares in Eagle Plains who appear to be on the verge of finding another Sullivan in BC. You'll see they own a significant number of shares in Copper Canyon who just received a takeover bid from Novagold. You'll see they own 34% (11 million shares) of another heavy oil company called Rallyemont Energy. They show a private value of $4 million based on the price they paid in a few placements for this private company. Rallyemont just completed another round of private financing at $.70-$.80 and after their drill program this year, should be able to IPO in the $1.50 range which would value 49 North's holdings in the $15 million range. Nuloch, a top 15 holding, just received a take-out bid last week.

They have a large coal property that will start drilling this month (update on January 21st – WTR.V announces large coal find – FNR owns 33% and is their 4th largest holding), uranium companies, an exciting copper company that will go public this year and many, many other stories that the market doesn't know about (see Troy Energy later in this report).

Management has not actively promoted this company as they have waited for the oil production to begin before they start hand feeding the analysts and other newsletter writers on the value proposition. They are also actively buying back their own stock at these levels which should put a floor on the share price. Watch for news over the next few weeks that should finally start to move the share price more in line with it's underlying valuation.

Current Portfolio Top 15 Holdings as of December 31, 2010

RANK	COMPANY NAME	PUBLIC/PRIVATE
1	Newsk Emerging Resources Ltd.	private
2	Rallyemont Energy Inc.	private
3	Allstar Energy Inc.	private
4	Westcore Energy Ltd.	public
5	Eagle Plains Resources Ltd.	public
6	Copper Canyon Resources Ltd.	Public
7	Kimpar Resources Inc.	private
8	NuCoal Energy Corp.	private
9	Bending Lake Iron Group Ltd.	private
10	Petro One Energy Corp.	public
11	Torquay Oil Corp.	public
12	Lex Capital Partners LP	private
13	Lex Energy Partners LP	private
14	Nuloch Resources Inc.	public
15	Shore Gold Inc.	public

IEMR Resources (IRI.V)

Current Share Price (1/31/10) - $.22/share
Outstanding Shares – 24 million
Current Market Cap - $5 million
Website: http://www.tnmineral.com/index.php

Below is a summary of IEMR's primary project optioned from Mosquito Mining....the Pine Tree Molybdenujm Copper Porphry Project. I like this company due to it's cash position (over $2 million), current drill program started in September that will conclude over the next few months and most importantly their CEO who is worth over $1 billion and has extensive Chine ties (and is also the chairman of Mosquito Mining) and owns 72% of IEMR.

Pine Tree Molybdenum Copper Porphyry Project

The Pine Tree Molybdenum Copper Porphyry Project is situated in the Pilot Mountains of western Nevada, five miles east of the town on Mina, half-way between the cities of Reno and Las Vegas. It is accessible year-round by good quality gravel roads.

The Pine Tree Project is located within a 65-mile belt that hosts numerous gold, silver and copper deposits and active mines. Significant historical past producers of gold and silver operated in the immediate vicinity of the property. Pine Tree's primary target is a +500 million ton copper-molybdenum-rhenium porphyry deposit with potential gold, silver, indium and gallium by-products.

As evidenced by select large in-production copper molybdenum mines, it was predicted that high-value Pine Tree by-product elements like gold, silver, rhenium, indium and gallium could reduce production costs for molybdenum - making Pine Tree potentially one of the most valuable copper-molybdenum resources in North America.

The company had purchased from Mosquito Consolidated Gold Mines Limited by option with 100% ownership transfer on the condition of a $1 million cash payment, 5 million shares and $3 million exploration commitment in five years. The company already paid the first tranche of the payment and will start the next-step drilling programs in late August, 2010.

Below is a summary of the holes they will initially be targeting. Pay close attention to hole PT08-19 that hit 10 meters of 1,252.2 g/t of silver which is a fantastic hole. Anything remotely close to this in follow-up drilling should ignite the stock price.

The first hole, PT10-22, will be a vertical hole designed to go to a depth of 640.1 metres (2,100 feet). The hole is located approximately 500 feet due east of hole PT07-12 which assayed 335.9 metres (1,102.0 feet) grading 1.14-per-cent copper equivalent (0.101 per cent molybdenum sulphide equivalent, 1.81 pounds molybdenum trioxide per tonne). Additional holes will be drilled to the north and south of the first hole.

IEMR also intends to follow up and fully delineate the high-grade silver intersection obtained in hole PT08-19 that intersected 10.4 metres (34.0 feet) grading 0.834 per cent copper, 1,252.2 grams silver per tonne (36.5 ounces per ton) and 0.33 per cent tungsten at the south end of the mineralized zone.

Once the drilling is completed, the results will be used to calculate a 43-101-compliant resource for the project, the results of which will be used to control additional drilling and development of the project. This calculation should be completed by the spring of 2011.

Mediterranean Resources (MNR.V)

Current Share Price (1/31/10) - $.11/share
Outstanding Shares – 101 million
Current Market Cap - $11 million
Website: http://www.medresources.ca/s/Home.asp

Arguably the most undervalued gold exploration company on the TSX with over 1.5 million indicated gold ounces and over 300,000 inferred gold ounces with the current market valuing MNR at just over $5 per ounce of gold in the ground. The Tac and Corak properties in Turkey have been explored by Mediterranean for several years and for the past year management has been exploring several options for the property. In the Fall of last year, management thought they had a deal with one of Turkey's largest resource companies but this company recently notified management that they would be focusing their efforts in the oil/gas and base metal sectors. As a result, it was back to the drawing board. I've been watching MNR since last September waiting for some sign of life and it appears that some developments may be in the works. They recently issued a statement based on the rising share price:

Mediterranean receives financing, merger proposals

2011-01-20 14:39 ET - News Release

Mr. Peter Guest reports

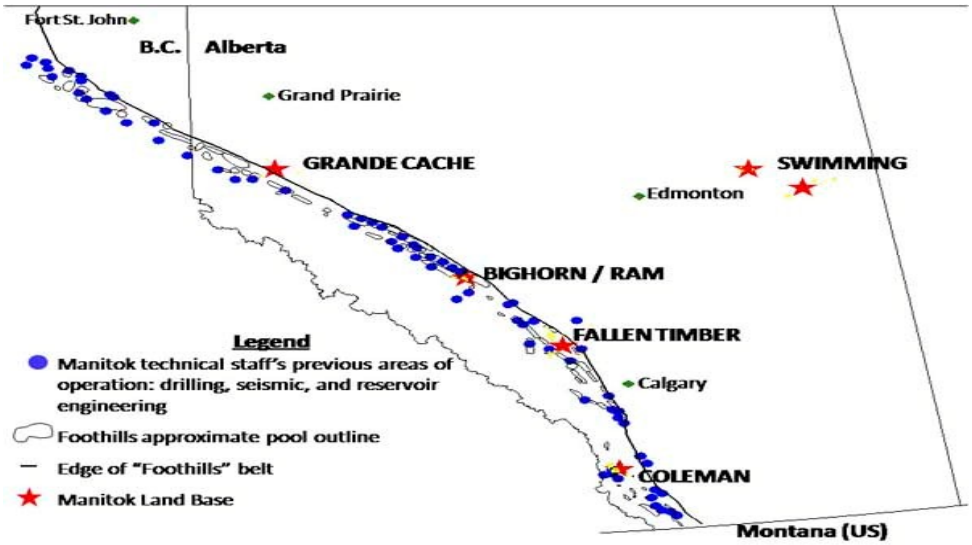
Mediterranean advises that there are no unannounced material changes which could account for the increase in the company's share price in the past few days. The fundamental aspects of the company's gold property in Turkey remain unchanged in that the company controls a contiguous 12-kilometre mineralized trend known as the Yusufeli project, including the Tac and Corak deposits, where an NI 43-101-compliant resource estimate established an indicated resource of 49.5 million tonnes grading 0.99 gram per tonne gold containing 1.58 million ounces of gold and an inferred resource of 11.0 million tonnes grading 0.83 g/t Au containing 290,000 ounces of gold. It has made approximately $16-million in cumulative expenditures to date on the project.

The company has however recently received several unsolicited proposals for financing the company, including a proposal to provide private placement financing to the company at above-market prices. The company has also received an unsolicited merger approach, and it has responded requesting more information on what is proposed.

Just last week, we learned a group of dissident investors are seeking a change of directors. This as a result of the obvious under-performance of the share price relative to the underlying value. Although there are some issues with the metallurgy of the project and Turkey can sometimes be difficult to deal with, it looks like this undervalued situation may begin to correct itself.

Manitok Energy (MNR.V)

Current Share Price (1/31/10) - $1.57/share
Outstanding Shares – 34 million
Current Market Cap - $52 million
Website: http://www.manitokenergy.com/



As mentioned earlier, the oil and gas sector was the only commodity group not to participate in the sectors rally in 2010. Manitok recently completed an $18 million placement and this group, which includes several ex-Talisman senior personnel, seems poised to exploit this oil and gas play which is described below:

Manitok is a public oil and gas exploration and development company focusing on conventional oil and gas reservoirs in the Canadian foothills along with heavy crude oil in east central Alberta. The lower risk profile and higher operating netbacks of heavy crude oil are a great compliment to the high impact growth opportunities present in the foothills. The combination of the two provide Manitok with a more stable growth platform which is less sensitive to the wide swings of the natural gas price cycle. In order to achieve success in the foothills, Manitok has assembled a technical staff whose expertise is extensive. With over 89 years of combined experience in the foothills, our technical team provides the company with a distinct competitive advantage in assessing the multitude of opportunities available in such an under exploited region as the Canadian foothills.

In addition to the lower risk profile, in early January Manitok announced a the start of drilling a high impact well which may provide the spark for other analysts and newsletter writers to start covering this stock.

The drilling of Manitok's high-impact Stolberg oil prospect near Nordegg, Alta., is under way. The vertical drill is expected to reach total depth of approximately 3,200 metres before the end of the month. Subject to completion rig availability, the completion operation, which comprises a small fracture stimulation and a flow test, will commence as soon as the drilling rig has been moved off location. The management of Manitok plans to release the flow test results on or about the end of the first quarter.

The prospect is a highly structured, conventional Cretaceous reservoir that has not been exploited in the Stolberg region of the foothills. The targeted reservoir has been logged and drill stem tested (DST) in an offsetting deeper well within 100 metres of the planned bottom hole location of this well. The DST in the target zone yielded a combination of sweet light oil, condensate and natural gas. Drilling, completion, tie-in and equipment costs are expected to be approximately $5.1-million. Manitok has secured an industry partner to participate for a 25-per-cent working interest in the well with Manitok retaining the remaining 75-per-cent working interest. While drilling results can never be certain, management's internal estimates, effective Nov. 24, 2010, are for initial risked production rates of between 300 and 700 barrels of oil equivalent per day and reserves in the order of 400,000 to 700,000 barrels of oil equivalent. Depending on the results of this drill, there are several offsetting locations that could be drilled during the second half of this year.

Troy Energy (TEG.H)

Current Share Price (1/31/10) - $.19/share
Outstanding Shares – 13 million
Current Market Cap - $3 million
Website: None

The last time I wrote up a stock listed on the Canadian NEX was Canadian Quantum (CQM.H) in May 2008. The stock was trading at $.30 on Memorial Day in the States when I did a short write-up and sent it out to Canadian investors (who can trade on Memorial Day). Within a month, the stock had traded as high as $15 before coming back to earth as a result of the financial crisis. The company had less than 10 million shares out at the time.

Troy Energy has 12 million shares out and is traded on the NEX while it gets assurances from the Guatemalan government that the money it needs to deposit into escrow will be "safe". A management group visited governmental officials last month in December and news should be forthcoming on recent developments. 49 North owns a significant position in the company. One well on the block produced over 1,000 barrels/day at times in the 80's and **"If"** Troy management can navigate the many difficulties in dealing with Guatemala, the share price will be multiples of the current levels. Please review the Contingent Resource Assessment of license A-2-92 dated April 30th, 2010 on SEDAR. A summary of the play is shown below:

TROY ENERGY CORP. ANNOUNCES REACTIVATION TRANSACTION - ASSIGNMENT OF COBAN PETROLEUM INTERESTS IN GUATEMALEN OIL AND GAS PROPERTIES

Troy Energy Corp. has entered into a binding letter agreement (the reactivation agreement) with Coban Petroleum Ltd., a private Alberta corporation, pursuant to which Coban has agreed to assign all of its interests in respect of Guatemala licence A-2-92, an oil and gas licence covering approximately 224,000 hectares in the Coban region of Guatemala. Coban's interest in the licence arises under a farmout agreement (which relates to a 75-per-cent interest in the licence), and a purchase and sale agreement (which relates to the remaining 25-per-cent interest in the licence). Under the reactivation agreement, Coban has agreed to assign each of the farmout agreement and the purchase agreement to Troy, and Troy has agreed that, until payout, it will assume all of Coban's obligations and liabilities of under or pursuant to the foregoing agreements (including: (i) costs and payables in respect of the reinstatement of the licence, which is currently in default, in the total amount of up to approximately $2.3-million (U.S.); and (ii) payment $350,000 (U.S.) as consideration under the purchase agreement for a 25-per-cent interest in the licence) and will bear all costs of drilling and completing (or abandoning) two wells that are contemplated under the farmout agreement, subject to the maximum budgeted expenditures of such wells (being $2.5-million (U.S.) in the case of the first test well and $2.0-million (U.S.) in the case of the second test well). As consideration for this assignment, Coban will earn a 25-per-cent working interest in a 160-acre spacing unit of the licence lands containing the first test well upon the occurrence of the earlier of: (a) after payout of the first test well; and (b) expenditures incurred in respect of the first test well exceeding $2.5-million (U.S.). In addition, Coban will earn a 25-per-cent working interest in the balance of the licence lands upon the occurrence of the earlier of: (a) after payout of the second test well; and (b) expenditures incurred in respect of the second test well exceeding $2.0-million (U.S.). Troy will also grant a 2-per-cent gross overriding royalty to Coban or as Coban may otherwise direct on all production of hydrocarbons from Coban's and/or Troy's portion of the licence lands, commencing after payout.

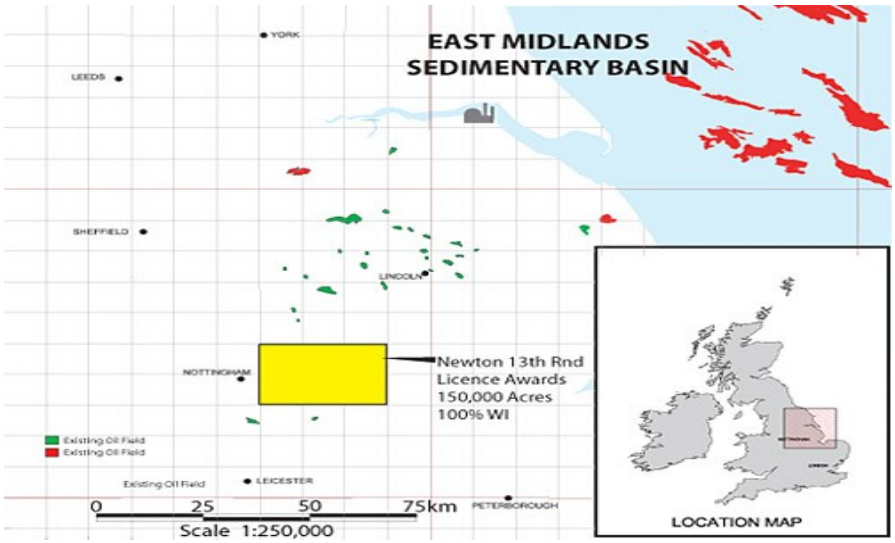
The reactivation agreement calls for the completion of a private placement for minimum total gross proceeds of $6-million. The financing is expected to close concurrently with the closing of the proposed transaction. The proceeds from the financing will be used for the purposes of reinstating the licence (approximately $2.3-million (U.S.)), the first test well (approximately $2.5-million (U.S.)) and the purchase of the 25-per-cent interest under the purchase agreement ($350,000 (U.S.)), and for general working capital purposes.

The A-2-92 licence area is approximately 224,000 hectares in the South Peten basin in central Guatemala. It is limestone rich in organic carbon as well as Jurassic-aged sediment. It has had seismic work and one exploration oil well drilled. That well was on production, producing approximately 150,000 barrels of oil equivalent (oil API is approximately 32) on the San Diego structure. The foregoing production figure is derived from production reports and tests provided from the farmor under the farmout agreement. The well was last produced in July, 1988. Political unrest in the region prompted the shut-in of the well and a cessation of all development activities. There are roads and pipe lines through the licence area. It is expected that upon completion of this transaction, James Rundell, current president and chief operating officer of Coban, will be appointed as chief operating officer of Troy. Mr. Rundell brings over 30 years of experience working in the oil and gas industry in Canada, Russia and the United States, including having served as a director and president of a public oil and gas company. The corporation will be filing materials with the TSX Venture Exchange requesting reactivation as a Tier 2 oil and gas issuer on the TSX-V. Completion of this transaction is subject to a number of conditions, including, but not limited to: satisfaction of the tier maintenance requirements of the TSX-V; TSX-V approval of the reactivation of the corporation as a Tier 2 oil and gas issuer; receipt of all required third party consents; completion of the financing; a satisfactory due diligence review by Troy; receipt of a report completed in accordance with National Instrument 51-101 -- Standards of Disclosure for Oil and Gas Activities (NI 51-101); receipt of a title opinion in respect of the licence and the licence lands; confirmation from the government of Guatemala regarding the reinstatement of the licence; and the approval of the board of directors of both Troy and Coban. The proposed transaction is not a non-arm's-length transaction and, as such, shareholder approval is not required. It is expected that trading in the corporation's common shares will remain halted until such time as the TSX-V has had an opportunity to review the following items: (i) a copy of the reactivation agreement; (ii) personal information forms for any new insiders; and (iii) a geological report prepared in accordance with NI 51-101.

Newton Energy (NTN.V)

Current Share Price (1/31/10) - $.44/share
Outstanding Shares – 14 million
Current Market Cap - $6 million
Website: http://www.newtonenergy.ca/

Newton Energy (TSX-V, NTN) is a junior oil exploration company focused on the underdeveloped basin in the East Midlands Basin in the United Kingdom. Newton's licenses, 100% non-coal petroleum, comprise a contiguous 150,000 acres, east of Nottingham. The onshore fiscal regime is among the best in the world with no royalties and only government take of effectively 30% tax rate.



Newton is another energy junior that I have been watching for many months. I was attracted by their large cash balance relative to their market cap (over $3.3 million in cash, no debt, and a $6 million market cap) and their significant land position in the U.K. Please view the presentation on the Newton Energy website at:

http://www.newtonenergy.ca/investors/pdf/ntn-corporate-presentation.pdf

I was waiting patiently for management to begin moving on this play and the announcement this month is the reason I am highlighting it here:

NEWTON ENERGY CORPORATION ANNOUNCES APPOINTMENT OF NEW CEO AND PLANNING PERMISSIONS FOR TWO DRILLING SITES

Newton Energy Corp. has appointed Steve Engwall as chief executive officer, effective Jan. 4, 2011. The company has also received two positive decision notices for two of its primary drill sites.

Mr. Engwall is a British national based in the United Kingdom. Mr. Engwall is a reservoir engineer with 34 years of oil and gas industry experience in the U.K. and continental Europe. Mr. Engwall started with Schlumberger, worked with Occidental Petroleum for 10 years, rising to chief petroleum engineer, and spent 13 years at Total/Elf as head of negotiations. Mr. Engwall has also provided senior strategic and planning consulting services, including field development, co-ordination of joint ventures and reservoir engineering evaluation, to various oil and gas companies operating in the U.K. and internationally such as Nexen, TAQA Bratani and Faroe Petroleum.

Newton would also like to announce that it has received two decision notices from the Nottinghamshire county council for its Cropwell Butler and Harlequin well sites. These mineral planning permissions allow the company to proceed with its plan to explore and develop its 150,000 acres under licence in the onshore U.K. basin.

Disclaimer

Vince Marciano has participated in private placements for the following companies mentioned in this report:

None

Vince Marciano owns shares (purchased on the open market) in the following companies mentioned in this report:

49 North Resources (FNR.V)

Vince Marciano has been retained by the following companies mentioned in this report to provide investor awareness services on a monthly retainer:

None

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