Last week, I boarded a small prop plane and escaped to Toronto under the cover of night. It was my first trip to Canada, and I can say with certainty it will not be my last...

In between high-octane Canadian lagers, maple syrup-slathered flapjacks, and my first authentic plate of poutine, I gave a speech at the Toronto MoneyShow about how to safely invest in the coming stock market crash.

I was joined at the MoneyShow by my colleagues Nick Hodge and Christian DeHaemer, and we were able to rub elbows with financial luminaries like Peter Schiff, *Capitalist Times*’ Roger Conrad, and Idiot Millionaire Derek Foster. They all gave stirring presentations on a myriad of topics ranging from trading volatility to navigating high-frequency trading to using social media to identify under-the-radar stocks.

There were some really great presentations.

Schiff came out — guns blazing, as usual — in his speech “When a Recovery is not a Recovery.” He outlined many of the points I’ve been making over the past year:

- The dangers of historic debt levels
- The artificial construct of Fed-fueled markets
- The “phony” nature of our so-called recovery

He got the biggest applause of the weekend.

Later that day, I spoke on a panel with Nick and Christian that ran the gamut from the sharing economy to medical marijuana to the death of cable television. I think it went pretty well for a free-flowing conversation, but you can judge for yourself [here](#).

Now, I have talked about the sharing economy plenty of times in *The Crow’s Nest*. I truly believe it will amount to “Economy 2.0” and will be one of the biggest investment stories of the next few years. You can read my report on our peer-to-peer lending play and another new report, “The Shared Economy: Five Easy Income Strategies for 2014 and Beyond,” if you please.

I’ll also add a position to our Delta-9 medical marijuana portfolio in the Plundering section. And you’ll find a robust interview with the CEO of one of Canada’s most promising marijuana companies as well.

I promise to bring you my “death of cable” play next month...

Finally, it was my turn to take the podium for my main speech, “Crash Investing: Buying Cheap Dividend Reinvestment Programs.” Here’s a brief peek at the speech:

“Let me start by saying that this will be the most boring presentation on the stock market crash you’ve ever seen. But it will also be the safest and most profitable...

I’ll spare you the talk about bread lines, suicides, and gold going to the moon.
I’m going to avoid talk of hyperinflation, wiped-out retirement accounts, and the collapse of the dollar.

What I am going to tell you is how to safely and responsibly double your portfolio value.

From my experience in the newsletter industry and my feedback from mom-and-pop investors, one thing I haven’t seen covered is one of the simplest: buying boring, dividend-paying blue chips on the cheap — especially ones you can plug into a dividend reinvestment program.

While the talk of a market crash can get your blood pumping, your eyes twitching, and send you into a hair-ripping despair, that is exactly what you need to avoid to make yourself a successful post-crash investor.

You need to stay calm and start buying.

In the heat of earth-shattering doom-and-gloom, you have to fight against what everything in your body is telling you...

Now, I’m not here to predict the next crash. I’m not here to time the market just right. I have no crystal ball, or I probably wouldn’t be here talking to you — I’d be on my own tropical island riding around on a four-wheeler and having local natives in coconut bathing suits feed me margaritas and cool me with palm fronds.

But I will predict this: The current skyrocketing market will run out of fuel in the next year or two, and it will set up a historical opportunity to scoop up solid value stocks to hold for the rest of your life — and make a pretty penny in the meantime.

Judging by the market performance over the last week, I’d say we’re well on our way:

I don’t need to harp on this. If you’ve been an investor for more than a few years, you know these signs well.
Probably a little too well if you lived through the 1987 crash, the dot-com crash, and the 2008 subprime crash. If it walks like a duck, and it talks like a duck... odds are it’s not a rooster.

There will be consequences to this Fed-fueled market frenzy. And I’m not waiting around for those consequences...

Now, I’m really not a gloom-and-doom permabear. I consider myself a reluctant optimist — and at times like this, I like to expand my horizons and think long term. That’s why I’ve ditched a few of my biggest winners to free up some capital for the upcoming “Wall Street Fire Sale.”

And if you peg your investments to the specific sector that gets creamed, that’s when you can make some serious long-term gains. In 2008, financial stocks were about as popular as Congress is now...

Here’s how one shrewd investor turned two radioactive stocks into billions...

Right after the 2008 market crash, when most investors were running for the hills and selling off their portfolios at huge losses, hedge fund titan David Tepper kept his head and went on a massive spending spree on decimated bank stocks — namely Bank of America (NYSE: BAC) and Citigroup (NYSE: C).

He was literally the only big player buying these stocks.

How did those stocks look then, and where are they now?

Citigroup hit a low of $10.30 in 2009. It now trades at $50.98. That’s a 394% gain.


Tepper made an astounding $7 billion for his hedge fund, $4 billion of which went right into his personal bank account.

Now, Tepper was dealing with stocks that were hated at the time he invested in them.

There are plenty of safe blue-chip stocks that are bulletproof over the long term and that have returned Tepper-like gains without the extreme volatility. The key is to get in on rock-solid companies you can find at an absolute bargain right after a crash.

It happens every time a bubble bursts. Let’s just look at some of the safest returns from the last crash in 2008:

- **Boeing (NYSE: BA)** is up 299%
- **General Electric (NYSE: GE)** is up 239%
- **Johnson and Johnson (NYSE: JNJ)** is up 96%
- **McDonald’s (NYSE: MCD)** is up 80%

Those are penny stock-type gains... without the volatility or risk.

You don’t make returns like that by buying at the top. Crisis investing is one true mark of a seasoned, successful
investor. So don’t panic; simply make yourself a checklist of stocks you’d love to own, and buy them after the crash. It really is that simple.

We may be coming up on a generational opportunity here. Don’t let it go to waste.”

And if you want to compound your gains over a few years, I sincerely hope you look into a dividend reinvestment account (DRIP) to hold your post-crash stocks. One thing Boeing, General Electric, Johnson and Johnson, and McDonald’s all have in common is that they offer DRIPS.

Charting the Course

Speaking of dividends, they have been our best portfolio performers...

<table>
<thead>
<tr>
<th>Company</th>
<th>Symbol</th>
<th>Exchange</th>
<th>Buy Date</th>
<th>Price</th>
<th>Dividend</th>
<th>Current</th>
<th>Gain/Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abbott Laboratories</td>
<td>ABT</td>
<td>NYSE</td>
<td>2014-02-03</td>
<td>$35.85</td>
<td>2.40%</td>
<td>$43.16</td>
<td>22.19%</td>
</tr>
<tr>
<td>Aqua America</td>
<td>WTR</td>
<td>NYSE</td>
<td>2013-12-02</td>
<td>$23.27</td>
<td>7.50%</td>
<td>$26.28</td>
<td>19.82%</td>
</tr>
<tr>
<td>Collector’s Universe</td>
<td>CLCT</td>
<td>Nasdaq</td>
<td>2013-06-24</td>
<td>$12.29</td>
<td>10.10%</td>
<td>$25.06</td>
<td>118.22%</td>
</tr>
<tr>
<td>HCP, Inc.</td>
<td>HCP</td>
<td>NYSE</td>
<td>2014-02-18</td>
<td>$37.52</td>
<td>6.40%</td>
<td>$43.75</td>
<td>21.40%</td>
</tr>
</tbody>
</table>

I’ll take any of those gains any day of the week.

As you’ll see during the rest of the issue, I am going to make this the main focus of *The Crow’s Nest* going forward. I think it is in the spirit of the lookout that we’re thinking long term, and based on my discussions with you guys and with the feedback from the conference appearance, dividends are extremely popular in these times of uncertainty.

They are safe, plus you have a steady stream of income that you can pull from without digging into retirement accounts and worrying about selling off positions.

Now, it takes an iron will and a strong stomach to make a move like David Tepper. To be honest, I do not have that kind of risk tolerance. I actually like to be able to sleep at night without the risk of my entire investment going up in smoke.

I just like getting checks every month...

And I still get them whether or not the market is up or down. Over the long haul, I know I’ll come out on top.
That’s why I’m more comfortable banking triple-digit gains with far less risk...

We’ll reveal some of our “Wall Street Fire Sale” stocks in the Tie Down the Mast Section.

After my speech, dozens of people came to talk with me, and the most common questions were about “dividend aristocrats.” Being in my financial news cocoon, sometimes I forget that folks haven’t heard these terms. So I want to give you Crow’s Nesters a rundown of what exactly makes a dividend aristocrat, explain why they are so valuable for long-term investing, and provide you with a full list of them.

Here they are...

**DIVIDEND ARISTOCRATS**

Dividend aristocrats are companies that have increased their dividend payouts for 25 consecutive years. It’s really that simple. When you keep increasing your dividend, it typically — though not always — means business is going smoothly.

The S&P Dividend Aristocrat Index is comprised of 54 companies that have raised their dividends each and every year for over two decades. If you invested in that index over the past five years, you would have seen a whopping 122% return. If you invested in the aristocrats over the past 10 years, you’d be sitting at an outrageous 183% return. Compare that to the 102% you would have gained from the standard S&P 500, and you can easily see the power of these companies.

So let’s get right to it. Here are the aristocrats in alphabetical order:

1. 3M Co. (MMM)
2. AFLAC Inc. (AFL)
3. Abbott Laboratories (ABT)
4. Air Products & Chemicals Inc. (APD)
5. Archer-Daniels-Midland Co. (ADM)
6. AT&T (T)
7. Automatic Data Processing (ADP)
8. Bard, C.R. Inc. (BCR)
9. Becton, Dickinson & Co. (BDX)
10. Bemis Co. Inc. (BMS)
11. Brown-Forman Corp. B (BF/B)
12. Chubb Corp. (CB)
13. Cincinnati Financial Corp. (CINF)
14. Cintas Corp. (CTAS)
15. Clorox Co. (CLX)
16. Coca-Cola Co. (KO)
17. Colgate-Palmolive (CL)
18. Consolidated Edison Inc. (ED)
19. Dover Corp. (DOV)
20. Ecolab Inc. (ECL)
21. Emerson Electric Co. (EMR)
22. Exxon Mobil Corp. (XOM)
23. Family Dollar Stores Inc. (FDO)
24. Franklin Resources (BEN)
25. Genuine Parts (GPC)
27. HCP (HCP)
28. Hormel Foods Corp. (HRL)
29. Illinois Tool Works (ITW)
30. Johnson & Johnson (JNJ)
31. Kimberly-Clark (KMB)
32. Leggett & Platt (LEG)
33. Lowe’s Cos Inc. (LOW)
34. McCormick & Co. (MKC)
35. McDonald’s Corp. (MCD)
36. McGraw-Hill Cos Inc. (MHFI)
37. Medtronic (MDT)
38. Nucor (NUE)
39. PPG Industries Inc. (PPG)
40. PepsiCo Inc. (PEP)
41. Pitney Bowes Inc. (PBI)
42. Procter & Gamble (PG)
43. Sherwin-Williams Co. (SWH)
44. Sigma-Aldrich Corp. (SIAL)
45. Stanley Black & Decker (SWK)
46. Sysco (SYY)
Now, there is a lot going on in this list... so let’s boil a few of these dividend aristocrats down to see which ones look the most attractive for long-term growth. We’ll start this month with three of them just to get our feet wet. We’ll dive into more next month...

**Abbott Laboratories (ABT)**

You'll notice that Abbott Laboratories (NYSE: ABT) is on the list — a position we have for our IRM(72) portfolio. I love Abbott and believe it will be paying great dividends for years to come.

In recent years, it has spun off a number of divisions into new companies and acquired other companies to make its core business stronger and more profitable. Most recently, it packaged its medical device and equipment products and responsibility for overseas drug sales into AbbVie.

This insulates the more stable growth business of medical and health products from the volatile, hit-or-miss drug development business.

It also created a large spike in Abbott’s operating margin, pushing it up to a 10-year high of 21%.

The company has a nice dividend of 2% and is currently trading at $43.38. It also offers a DRIP, which you can enroll in [here](#).

**We’re buying Abbott (NYSE: ABT) as a long-term DRIP position under $45.**

**AbbVie (NYSE: ABBV)**

AbbVie is the Abbott Labs spinoff we recommended in September. While it does not officially appear on the dividend aristocrats list, we count it due to its previous history with Abbott Labs.

The stock has already moved another 7.9% in the past month, and all told, we’re up about 16% in short order. For a long-term hold, that is a wonderful start.

The company also just beat Q3 earnings projections:

- Earnings rose 9% over last year.
- Sales increased 8% to over $5 billion — which beat estimates by about $200 million.
- Its monster immunology drug, Humira, beat estimates with 10% growth to $3.26 billion — accounting for over 60% of AbbVie’s business.
- Its fastest-growing new drug is pancreatic drug Creon. Sales jumped 48% to $148 million, also
beating the consensus of $113 million.

The company has some great growth in store and is slated to boost earnings growth 53% over the next two years. Plus, I’ll take the 3.1% dividend any day of the week. It, too, offers a DRIP, which you can enroll in here.

We’re buying AbbVie (NYSE: ABBV) under $70 for the long term.

Nucor (NYSE: NUE)

Nucor is the single-largest steel producer in the United States. It is also the largest “mini-mill” steelmaker, meaning it uses electric arc furnaces to melt scrap. The sheer amount of steel the company recycles makes it the largest recycler of any material in all of North America.

And it is having a hell of a run:

• Q3 sales have increased by 15% over last year.
• Its earnings per share (or EPS) has increased 65% over last year.
• Its margins have improved 11%.

The company’s earnings-per-share growth is 77% for the next two years. Those estimates look good, and they sport a decent 2.7% dividend. Plus, you can start a DRIP with only one share. You can enroll and read details here.

I’m recommending Nucor (NYSE: NUE) shares under $58 for now.

For the sake of brevity, I’ll simply list a couple of “Fire Sale” type positions to put on your list, and we’ll dive into them over the next month or two. They aren’t all aristocrats, but they are bulletproof, long-term positions that any dividend investor should snap up at a discount:

• Boeing (NYSE: BA) — 2.3% dividend
• General Electric (NYSE: GE) — 3.4% dividend
• Johnson & Johnson (NYSE: JNJ) — 2.6% dividend
• Medtronic (NYSE: MDT) — 1.8% dividend
• Target Corp. (NASDAQ: TGT) — 3.4% dividend

I won’t go into much detail on my other favorites in this issue, but I love to get feedback from readers. It really helps me get a finger on the pulse of what you guys want to see covered. If you have any dividend stocks on your buy-list, feel free to send them my way, and I can check them out and include them in a future issue. You can send them to customerservice@angelpub.com.

In the meantime, let me show you the single easiest way to get exposure to Dividend Aristocrats without having to sift through the dozens on that list...
Dividend Aristocrat ETFs

If you’d like to get easy exposure to Dividend Aristocrats, these two dividend ETFs cover almost all of the companies I listed. Here’s the rundown:

**ProShares S&P 500 Aristocrats ETF (NYSE: NOBL)**

ProShares launched this dividend ETF last year, and it has already picked up just about $280 million in assets with an average daily volume of over 50,000 shares.

For a one-stop shop for a basket of low-risk dividend stocks, this ETF is ideal. It includes only large-cap companies that have increased dividends every year for at least the last 25 consecutive years.

The sole purpose of this fund is to passively follow the S&P 500 Dividend Aristocrats Index. Since NOBL’s benchmark index was created in 2005, it has outperformed the full S&P 500 while delivering a better yield and lower volatility.

The underlying index contains a minimum of 40 stocks, which are equally weighted, and no single sector is allowed to comprise more than 30% of the index weight. Every quarter, it is rebalanced.

NOBL currently holds a total of 54 companies with an average index market cap of just over $60 billion. The average price-to-earnings ratio is 19, and the price-to-book ratio is 3.29.

The 30-day SEC yield comes to 1.9% with quarterly distributions. This is a relatively new standardized calculation created by the SEC to make comparing yields easier on the fly.

It is calculated by dividing the investment income earned by the fund (minus expenses) over the most recent 30-day period by the current maximum offering price. The point is to make the effect of fees a bit more transparent.

As always, the actual yield collected by investors may vary slightly.

In regard to holdings, the largest position by percentage is 2.09%. The fund is pretty heavily weighted towards consumer goods, both cyclical and non-cyclical.

This can exceed the 30% weighted limit of the underlying index in the short term, as you can see to the right, but it will be revised down at the end of the quarter.

After all, this is a passive fund with a low expense ratio of 0.35%.

Thanks to the healthy size and volume traded for NOBL, the
The share price rarely deviates by more than a penny or two from the net asset value of holdings. The bid/ask spread will stay extremely close together as well.

**Vanguard Dividend Appreciation ETF (NASDAQ: VIG)**

While the S&P 500 Dividend Aristocrat Index is the pinnacle of dividend-paying companies, there are many other very consistent yearly dividend increases coming from other companies.

Using a similar index but with a 10-year instead of a 25-year track record opens up a way to increase the overall yield by reducing the expense ratio.

The Vanguard Dividend Appreciation ETF is a passive ETF designed to track the performance of the NASDAQ US Dividend Achievers Select Index. This is a weighted index, and the ETF will roughly hold the same proportions as it.

It is worth noting that the index is not limited to NASDAQ exchange-listed companies. In fact, a vast majority of held stocks are NYSE-listed.

The fund has diverse exposure to individual companies and sectors alike, as you can see to the right.

In total, 163 companies are currently held, with a median market cap of $59 billion. The average price-to-earnings ratio is 18.6, and the price-to-book ratio is 3.3.

VIG holds about $24 billion in assets and has an average daily volume of just under 800,000 shares.

With such a large volume, the share price rarely strays beyond a penny or two from the net asset value, and the bid/ask spread is always very close.

One thing in particular to note is that this ETF holds larger positions in some companies, and the index skews towards the industrials sector.

The 30-day SEC yield comes to 2.06% with quarterly distributions. VIG sports an ultra-low 0.1% expense ratio thanks to the very large total assets it holds.

So there you go: plenty of safe, dividend-yielding plays to get you started as a true aristocrat.

Now, while we love the safe, warm blanket of these kind of positions, very occasionally we'll go for swing-for-the-fences type plays that we can knock out of the park — or strike out.
As a Baltimorian, I’m thinking Chris “Crush” Davis-type gains. Either you hit a homer, or you strike out. These will all be featured in our RISKY portfolio and weighted half as much as the solid, long-term plays. We already have Silver’s Doubling Effect and Solazyme in there now. We’re about to add another... which could deliver once-in-a-lifetime gains.

Plundering

So, our first two Delta-9 stocks are off to a great start:

<table>
<thead>
<tr>
<th>Stock Name</th>
<th>Ticker</th>
<th>Exchange</th>
<th>Date</th>
<th>Price</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>AbbVie Inc.</td>
<td>ABBV</td>
<td>Nasdaq</td>
<td>2014-09-03</td>
<td>$54.85</td>
<td>3.20%</td>
<td>11.40%</td>
</tr>
<tr>
<td>INSYS Therapeutics, Inc.</td>
<td>INSY</td>
<td>Nasdaq</td>
<td>2014-09-02</td>
<td>$33.36</td>
<td>0.00%</td>
<td>15.89%</td>
</tr>
</tbody>
</table>

While both of those stocks are more long-term plays on the burgeoning medical marijuana market, this next one is a high-risk, swing-for-the-fences type play that we could squeeze several hundred percent from if the company continues at its current pace.

A quick word of warning: This stock is by far the riskiest one I’ve ever recommended. If you don’t have a strong stomach or aren’t willing to see your investment whipsaw around and possibly tank, this recommendation is not for you.

But if you have some extra capital to swing for the fences, I have a good feeling you could bank some serious money from this next Delta-9 company.

The company is T-Bird Pharmaceuticals. I spoke in depth with CEO Robert Gagnon, and I can tell you they are very serious about building this business into a winner. I’ll share our entire conversation with you below, but first, here is some background about the medical marijuana industry and about T-Bird in particular...

Marijuana stocks have gotten a lot of press over the past year. A new frontier of profits has opened up courtesy of the widespread legalization of both medicinal and recreational marijuana. Colorado and Washington now allow the sale of recreational marijuana, and 20 other states allow it for medical purposes.

Now, after this weeks elections, voters in Oregon, Alaska and Washington, D.C. have approved pro-marijuana legalization.

Many more will follow in the coming years.

Now, a whole lot of people are getting rich... quickly. Just take a look at some of the gains:

• 1,910% on CannaVest, which had a 52-week low of $10 and a 52-week high of $201 a share.
Hemp Inc. went from a penny to $0.34 a share, a 3,300% gain

GreenGro Technologies, Inc. (GRNH) jump 512.9% in the first week of the year alone

Now, the market for marijuana stocks will certainly have some long-term winners that will make plenty of people rich. It’s no secret that legalized marijuana will eventually be a massive industry. It already has a built-in market that has been paying artificially inflated prices due to the illegal nature of the habit.

It’s actually one of the fastest-growing markets in the country. Sales of legal marijuana should top $3 billion by the end of 2014. That is more than double what it was the year before.

And it won’t be slowing down anytime soon... Medical Marijuana Business Daily predicts total sales could quadruple to $6 billion by 2018. All told, the entire market could get higher than $10 billion by 2018.

That’s because America seems to be embracing it with open arms...

A recent survey revealed that 7.3% of Americans aged 12 or older regularly used marijuana in 2012, up from 7% in 2011. That’s 7.6 million Americans that light up almost every single day of their lives. Countless millions of others use it occasionally...

Even non-smokers have come around to support legalization. A recent Gallup poll showed 58% of Americans support total legalization. The percentage soars to 72% approval when those under 30 are asked.

And that number doesn’t include the large infrastructure and auxiliary products needed to support such a massive industry. Medical marijuana is a natural substance that comes from the cannabis plant — which has a medicinal history that goes back thousands of years. In fact, archaeologists have found evidence of medicinal cannabis use in China dating all the way back to the Neolithic period, around 4000 B.C.

It was only modern scare tactics and government overreach that banned it in the first place. Thankfully, those philosophies are going the way of the buffalo...

With the overwhelming number of addiction problems coming from medications based on opiates, medical cannabis has much to offer as a completely natural treatment, without the horrific side effects and addiction issues of most prescription medications.

“Marijuana does not have the physical addictive components that opiates do,” according to Shelley Stormo, clinical psychologist at the largest addiction treatment clinic in Cape Cod. “It does not have the propensity, as opiates do, for overdoses. There’s no documented death by overdose of marijuana.”

It is basically a medical no-brainer. As the stigma begins to lift, this will be big, big business. And that’s why we’re digging into it as a long-term investment. Widespread legalization is far more likely in the near term for medical marijuana than it is for recreational marijuana. Right now, 23 states have legalized medical marijuana, while only two have opened up their shops for recreational use.

That number will continue to grow — not just in the U.S., but globally as well.

There is a built-in audience of patients who can benefit from such use. There are other far-reaching medical uses:

- Cancer
Those are big markets. And the list goes on and on.

So as more and more states in the U.S. open their doors to this groundbreaking treatment, more companies will crop up to meet the huge demand. Just look at these projections from the Marijuana Business Factbook:

So while plenty of money will be made in both recreational and medical marijuana stocks, I firmly believe that safer, bulletproof profits will be coming from the medical sector.

That's where T-Bird Pharmaceuticals comes in...

Now, let me repeat my warning, this stock is by far the single most risky one I've ever recommended. If you don't have a strong stomach, or do not have money to lose, then this recommendation is not for you.

But if you have some “fun money” and want to try your hand at some whopping returns, then please read on.

To show you the volatile nature of the industry, just have a look at the returns of some of T-Bird’s competitors:

**Tweed Marijuana Inc. (TWD.V):** Tweed sports a 52 week low of $0.01 and a high of $4.75. It’s currently sitting at $2.08.

If you bought low and sold high, you’d have banked 47,400%.
Organigram Holdings Inc. (OGI.V) Organigram sports a 52 week low of $0.7 and a high of $2.4. If you bought low and sold high, you’d be basking in a 3,328.57% gain.

Now, I'm not promising you 47,000% gains, that is simply insane. And it goes without saying that these stocks are as volatile as it gets. But if you maneuvered through that whipsaw stock performance, they were plenty of opportunities to pull triple digits gains out of that movement.

That being said, I like T-Bird’s chances for some quick gains in the short term, and possible blockbuster gains for the long term.

T-Bird Pharma (TSX-V: TPI) is one of only 13 companies that have Marihuana for Medical Purposes Regulations (MMPR) approval to operate in Canada and one of four that actually trade publicly. It also has the grand distinction of being the only company growing licensed medical-grade marijuana in British Columbia — which has long been the gold standard for high-quality marijuana.

I spoke with the CEO Robert Gagnon, and he shed some light on the regulatory issues involved in starting a medical marijuana company and what T-Bird needs to become profitable.

Here’s part one of our conversation:

**Crow’s Nest**: Thanks for talking to me, Robert. While I’ve done a lot of preliminary research, I’d like to hear it straight from the horse’s mouth. So, to get started, tell me about your plans for the next few years to get T-Bird to a profitable state.

**Robert**: Thanks, Jimmy. So to give you a bit of background, most of us come from a technology background, so we tend to view things from a start-up point of view. A lot of it came down to wanting to start small, learn our mistakes, and then scale upwards from there. It’s a brand-new industry... the previous models were all clandestine operations, and they weren’t really designed for mass-scale production. We’ve been working through the transition step by step.

**Crow’s Nest**: Can you tell me about your current growing operations?

**Robert**: We have completed our first facility and acquired a second one for building it out, and in that facility, we can scale up all that we’ve learned. It’s complicated. It’s an agricultural product in regards of it being a growing plant, yet it’s a pharmaceutical product from a quality assurance point of view.

If you imagine growing carrots in laboratory conditions, it gives you an idea of some of the problems we have to overcome to get to a scalable, reliable supply. We wanted to make sure the things we were doing to produce a high-quality pharmaceutical product didn’t leave us in a box five years from now without any ability to branch outwards from there. Right now, the market is medical marijuana, and the regulatory framework is pharmaceutical, but we’re keeping an eye on the fact that the market will change in five years to something much, much broader...

**Crow’s Nest**: So, from a pharmaceutical product angle, how many strains of marijuana are you currently producing, and do you tailor the strains for specific medical conditions?
Robert: It’s rather complicated...

There’s a big gap between the research that validates some of the anecdotal results coming from the medical marijuana community... As new research starts coming forward, you’ll start to see more of the anecdotal, self-prescribed results aligning with the clinical test results.

So, to answer your original question, we have approximately 30 strains that are in live tissue and another 35 to 40 in the safe. All of them represent different profiles. Every strain has a slightly different ratio of compounds... Some are high in THC, some are low in THC and higher in CBD(Cannaboidoil)...

CBD is the one that has drawn the most attention in pediatric epilepsy. That’s the one that turned (CNN’s) Sanjay Gupta around.

So what we are having to do is make two decisions: One, a business decision because you only have a certain amount of square footage to grow so you can’t have 30 varieties but only grow an ounce of each. So as we’re starting, what are the strains that are going to provide the broadest possible coverage of potential symptom relief?

We went with two strains initially; one is a BC-derived strain. We’re from BC, and there’s an international cache on BC bud, and we want to be able to draw upon that. So we went with a variety called Island Honey, and its claim to fame is it’s exceptionally high in CBD, and it’s a nice balance with the THC so it provides a broad coverage across a number of symptom profiles.

The second one is called Pink Kush — which has a higher THC-to-CBD ratio, and it’s a very popular strain among patients for its ability to cover a wide range of symptoms.

We wanted to provide those two to provide a nice contrast in product but still give us the ability to focus on those. As we get more growing space and inventory, we can go with what’s currently in demand and then start bulking up on our “exotics” — from strains believed to be better with certain, more specific patients.

We don’t want to have a Ben and Jerry’s problem where we have a million people who want vanilla and five that want bubblegum. We have to be careful not to have too many bubblegums.

Crow’s Nest: So quality is far more important than quantity to your launch?

Robert: Yes. These are sophisticated customers. If we want to keep up, we have to compete as a pharmaceutical product — cleanliness, potency, consistency — but at the same time we have to deal with the very real aspects of appearance, smell, taste, finish...

Producing a premium product requires as much attention as producing a pharmaceutical product. It’s something that, say, NyQuil doesn’t have to deal with. They produce a pharmaceutical product and consumers just have to suck it up.

We actually have to hit both standards equally.

We want to know that if the market broadens, our product can’t be strong yet disgusting. We want to ensure that while we’re currently pharmaceutical, if it goes to a retail situation, we’re not having to develop new products, strains, and brands on the fly.

Crow’s Nest: What does your quality assurance team look like now?
**Robert:** We have to rely on our master growers, who have years of experience producing a top-end product. We just have to marry it to the BMP (best manufacturing process guidelines) for pharmaceuticals... the same rules that operate for Pfizer when they are making Viagra are exactly the same procedures we have to follow from a QA (quality assurance) perspective for our marijuana.

It really comes down to a grower’s experience and body of knowledge: They know what fertilizers or lighting regimes to use to produce a product that is dense and fairly uniform. There is a lot of consideration that goes into quality.

We’re working very closely with our first beta patient groups. If we were a winery, we could make a lot of assumptions on our own. But we’re working very intimately with our first patient groups — more like an in-house marketing focus group — but the good thing is that customer becomes integral to the quality of your product... you’re not producing it in a vacuum and sending it out to a waiting world to see what happens.

**Crow’s Nest:** What is your current capacity from your licensed facility?

**Robert:** We’re looking at approximately $3.5 million in annual revenue from that facility. We’ve sort of adopted Starbucks’ business model, where it’s based on revenue per square foot. When we look at the grow rooms, the dollars per square foot also determines what strains we grow and what price points we look at.

There are identical costs to grow crappy, cheap marijuana as it is a high-end pharmaceutical product. So we might as well do as best we possibly can and max out our facilities.

The second facility is really our growth story. We’re talking about a tenfold floor space increase and a change in going from much smaller rooms where we did our R&D to much bigger-capacity rooms while maintaining the isolation, CDC quality we’ve cultivated in the smaller facility.

**Crow’s Nest:** Considering you’ve proven you can do it on the smaller scale, what are the odds that your second facility gets green-lighted? Are there any hurdles for approval?

**Robert:** Every facility is treated as a one-off under the federal regime... but each facility that is assessed is based on existing procedures and personnel.

We believe that there is no way for them to not give us credit for already being licensed and already producing. The experience we have from already being licensed informed the development of the secondary properties. So unlike them accepting a new applicant with no record whatsoever, no team, no prior experience with the program, we represent a known quantity of already-approved individuals with approved procedures and methodology. We’re extremely confident that based on what we’ve heard from Health Canada on the procedures, existing licensed producers fall into priority attention.

**Crow’s Nest:** So you aren’t really worried about a bottleneck based on the sheer number of applicants?

**Robert:** No, we’re actually more confident that the fact that we’re applying for a second and not a
primary license, it’s a different consideration. With a brand-new facility, they have to first assess the plan, then the people, and then the security clearances.

All that has already been done at our end. They aren’t starting at zero like they would with a brand-new applicant.

**Crow’s Nest:** So when would you estimate that the second facility would be approved and ready to produce?

**Robert:** Yes, early Q1 2015 is our target opening for the second facility. We’re looking at a phased rollout to get everything to productive capacity, rather than trying to build the whole thing out before we just light her up.

**Crow’s Nest:** In terms of getting actual product to market, how do you go about recruiting clients? I know there are regulations for actually advertising to prospective customers. You can’t just advertise like you would a pharmaceutical drug in the U.S.

**Robert:** Right. It’s complicated. So for instance, in the U.S you can just direct market to patients. Like with something like Vioxx, you can’t roll out a TV commercial that is three-quarters filled with disclaimers and warnings. You can’t do that in Canada. We can’t just advertise a scheduled narcotic.

What we did from the beginning was to capture the traffic we get from Health Canada’s website, from which we get about 4,000 unique hits a month. We then get them into a newsletter keeping them informed of the process.

So what we’re doing is collecting them, and we just announced our beta program where patients can sample the first harvest of our two different varieties and give us feedback. That way we can perfect out our systems and head off any issues that may arise.

Getting patients thorough the door is done by social media and online presence and becoming an authority. Rather then us being about, hey look at us, we come at it much more gradual where people become aware, they associate us with the quality of our product and we hit the top of the list for their business.

It prevents shameless promotion, so it’s actually *good for us*, because it creates a much more level playing field for us and the company with the biggest marketing budget can’t simply bury everyone else.

**Crow’s Nest:** So you are more focused on a quality relationship with your customers? That seems to line up with your philosophy of quality products first.

**Robert:** Exactly. Considering the way the regulations work, a patient is locked in with their medical certificate. If they sign up with us, they actually have to start the process over if they want to move to another LP. So if they want to change companies, they have to reapply for their certificate.

Retention is our number one focus, so like the cell phone companies realize that every new customer costs them $300 to acquire, they have to set aside that money for retention.
We’re looking at the same sort of philosophy: every customer we get we’d like to keep. They’re worth more than a new customer, so to speak.

I’ll bring you the rest of the interview next month. In the meantime, here is the latest financial summary:

- **Go public date**: September 09, 2014
- **Stock Listing TSX-V**: TPI
- **Market Capitalization**: $25.3 M
- **Shares outstanding (b/fd)**: 46.1 M / 55.0 M
- **Cash position**: ~$2.6 M
- **Share ownership**: Rob Gagnon, CEO: 19.3%
- **Insiders**: 46.3%
- **Employees / Consultants**: 3.6%

T-Bird projects that it will only take 400 Patients (out of a market of approx. 450,000+) to conceivably break-even. So it shouldn’t take much to get them to a profitable state.

You can view their latest corporate presentation [here](#).

It is now trading at $0.52. It sports a 52-week high of $0.95 and a low of $0.50.

I’ve been speaking with Kam Thindal, who is managing IR for T-Bird. Here’s a few things they have in store for creating awareness for the stock:

Over the next few weeks the Company will be spending a lot of time on the road getting in front of both retail and institutional investors. As T-Bird moves towards commercialization the goal of these activities is to educated the investment community on our progress thus far and how our approach to the industry differs from that of others. Over the past week we have had events in Toronto and Vancouver.

The more awareness the better. I’ll keep you updated on the events scheduled.

If you have other questions, feel free to contact Kam at kam@htcapitalcorp.com. He’ll answer any questions you may have.

I am also planning a site visit, so stay tuned for my boots on the ground assessment of their operations.

As for now, we’re buying T-Bird Pharmaceuticals under $0.75. You can buy it on the Vancouver exchange at TSX-V: TPI.

If you’ve never bought stocks on the TSX, please read either of these tutorials:

- [How to Buy Canadian Stocks](#)
- [How to Buy Stocks on the TSX](#)
I think as the company starts promoting the stock through networking and conference appearances, T-Bird will see stock growth like Tweed, OrganiGram and Bedrocan.

If you decide to invest, please be sure to watch the price on a daily basis and keep your eyes peeled for Crow’s Nest sell alerts. We’ll likely be jumping in and out of the position as volume swells.

If everything goes according to plan, we could reap triple-digit gains on this several times over.

Stay vigilant.

I know this has been a pretty long issue, and I haven’t covered each and every position. But next month, we’ll bring you updates on Solazyme, Silver, and Uranium, plus a couple more dividend aristocrats to add to your watch list.

Godspeed,

Jimmy Mengel
Investment Director, The Crow’s Nest

*Also, a quick note on Solazyme. As this issue went to print, Solazyme stock got completely MURDERED. I actually have never seen a stock I’ve followed take such a plunge overnight. We will bring you a full update next week, but for now we are holding the stock and deciding how to proceed going forward.

I am not panicking and selling at such a loss. We’re reassessing and calmly moving forward.

A couple quick points on why the stock tanked:

- Third-quarter revenue fell far short of expectations and next year will miss estimates even more.
- The stock fell 58 percent to $3.14 – the most since the IPO and the lowest price on record.
- Revenue in the third quarter was $17.6 million, lower than the $19.6 million average of eight analysts’ estimates compiled by Bloomberg.
- Production issues at the company’s plant in Moema, Brazil, led Solazyme to lower its revenue forecast for 2015 to about $75 million, well short of the $300 million estimate.

The opening of the Moema plant was our impetus for getting into the position to begin with. This is obviously the worst possible news. I have some emails out now to company representatives, so we’ll be delivering a full update next week.