Ahoy Crow’s Nesters,

Hallelujah...2016 is coming to a close.

Let’s start by saying, this has been an incredible year as an investor. We’ve closed 550% gains this year. That’s right, you would have quintupled your money if you bought and sold these stocks when I emailed you.

But the sweet always comes with the sour...

We lost some of my favorite artists, and speaking of Halleujah, Leonard Cohen was the biggest loss for me. Mr. Cohen was not only one of my favorite singers and artists, but was also a role model for how people should be: humble, hard working and kind.

(Click to watch)
I also will miss David Bowie, whose groundbreaking song Space Oddity was one of the first songs I ever learned to play on guitar. Like the Crow's Nest, Bowie was someone who continued to reinvent himself as the sands of time kept shifting.

(Click to watch)

We also said goodbye to many, many other talented people...

- American hero John Glenn – the first man to orbit the earth
- Journalist Gwen Ifill, who I geeked out to on PBS for many years
- Gene Wilder, whose maniacal eyes and hysterical wit filled me with joy to for decades
- Not one, but two actors from the funniest film ever made: The Big Lebowski. David Huddleston, who played the title role, and Jon Polito, who played the hilariously delusional private eye, both passed on this year
- Elie Wiesel, the holocaust survivor who documented his nightmarish experience in Night
- Prince – enough said
- The original “outlaw country” singer Merle Haggard
• Garry Shandling, whose 90s TV show The Larry Saunders’ Show gave birth to an entire generation of comedy television

• Keith Emerson and Greg Lake: 2/3rds of Emerson, Lake and Palmer – perhaps the best progressive rock supergroup in history. (I recommend listening to their classic album Trilogy [right here](#).)

• Harper Lee, the reclusive author that penned *To Kill a Mockingbird*

I could keep going, but you get the idea...that’s a lot of historical talent to lose in one year.

But I don’t want to sit here and be a bummer. Investment-wise, it has been a tremendous year. The best of my career in fact...

We’re up 508% for the year on our sold positions and a solid 30% on open positions.

So, in short it’s been a hell of a year for *The Crow’s Nest*. I think we’ve finally come into our own and have struck the perfect balance between short and long-term thinking. I firmly believe that you need to anchor your portfolio with strong, long term dividend stocks. There is no better way to ensure you have enough to retire on.

But you should also be open to huge historical opportunities – like our marijuana positions.

In fact, I know things are topsy turvy right now, because my mother just asked me which pot stocks she should buy...

That is a good an indicator as any that marijuana investing has hit the mainstream.

Let me back up a minute...

In high school, I willfully admit that I smoked pot. I’m a musician and a rabble-rouser by trade, and smoking pot was simply one of those things that we did back then.

My mom did not like this. My dad did not like this. My teachers did not like this...

In fact, it seemed like smoking marijuana was one of the worst things you could do.

But since then, I’ve witnessed several deadly drunk driving accidents, an epidemic of pharmaceutical drug abuse and a handful of heroin overdoses.

Keep in mind, this was in one of the most affluent counties in the country – regularly ranked
as the best place to raise your children. Yet I witnessed a dozen drug overdoses due to prescription pain killers. I lived through even more heroin overdoses, that happened when those who couldn’t afford the pills anymore.

That’s the two-part draw to marijuana for me. It could emerge as an alternative to dangerous opioids for pain management. It could offer soldiers returning from duty relief from post-traumatic stress disorder. It has been proven to help epilepsy in cases where children were suffering hundreds of seizures a week.

A new study also suggests that states with medical marijuana laws on the books have fewer traffic fatalities, particularly among young drivers.

Researchers at Columbia University’s Mailman School of Public Health found states saw an 11 percent reduction in fatalities on average after enacting marijuana laws. Compared against states without medical marijuana laws, those with them had 26 percent lower fatality rates.

I am all for saving lives and reducing the heavy toll that drinking alcohol has on public health.

I could go on and on. The point here is, I still get letters all the time from readers who have a moral resistance to investing in something taboo like marijuana.

I would never judge or argue against someone’s moral opinion. But I would take issue to anyone sitting out these historic investments while at the same time investing in large pharmaceutical companies, whose products have been proven to result in addiction and death.

With that said, let’s look into our current marijuana positions...

**Charting the Course**

**Marijuana Stocks**

Let me start with the **Message in a Bottle** from last week. Some of you may have read the update, but I keep getting similar questions about it.
Some recent appointments in the Donald Trump cabinet have given many marijuana investors pause — like Dean D. Here’s his letter...

Hi Jimmy,

What are your thoughts on the effect the Trump Administration will have on the Cannabis industry in the U.S. — especially with a Jeff Sessions appointment to Attorney General? He has been very clear in his historic opposition to any marijuana legalization and I’m somewhat concerned as to the negative impact he may have — like the possibility of nullifying the “Cole Memo”, which would have massive negative repercussions not only on U.S. cannabis plays but Canadian stock picks as well.

Love your Newsletter!

Dean D.

Thanks for the question Dean. I completely understand your concern.

But here’s why I think you have no reason to worry...

Dean was alluding to the fact that Senator Jeff Sessions of Alabama was tapped to serve as Attorney General of the United States, and will likely lead the Justice Department in the Trump administration.

It is safe to say that Sen. Sessions is no fan of marijuana...

He illustrated just how much he loathed marijuana smokers when he remarked that he thought the Ku Klux Klan “were OK until I found out they smoked pot.”

That’s right, the racist organization that has a sordid history of murdering minorities, burning crosses, and wearing really silly looking outfits was “OK” except for the fact that some of them smoked marijuana.

While that is clearly a ridiculous thing to say, Sessions has also made more direct attacks on marijuana use and legalization itself. Just this year he stated that “good people don’t smoke marijuana”.

For the record, I can safely say that I know many good people who smoke marijuana. And I’d bet a king’s ransom that you probably do too. But as far as marijuana investment goes, his comments about the legalization of marijuana are the most alarming.
At a Senate hearing earlier this year, Sessions remarked that “marijuana is not the kind of thing that ought to be legalized, it ought not to be minimized, that it’s in fact a very real danger.”

At the same hearing, he went on to say that “I think one of [President Obama’s] great failures, is his lax treatment in comments on marijuana.”

I imagine that Sessions was referring to the “Cole Memo” that Dean brought up in his question. For those unfamiliar, the Cole Memo essentially states that the Federal Government will not spend its resources cracking down on marijuana businesses that are operating legally under state law.

In the past, the Feds could descend into legally operating dispensaries and laboratories and rain down the fury of federal law — arresting the proprietors, shuttering shops, and seizing property. The Cole Memo essentially put an end to that, which allowed the booming industry to flourish without the nagging fear that a business owner could be shut down and jailed for something that was perfectly legal in his or her state.

It also stressed the importance of focusing on specific legal issues within the industry that I believe most people would agree on:

- Preventing sales to minors
- Preventing revenue from the sale of marijuana from going to criminal enterprises, gangs, and cartels
- Preventing marijuana from traveling from legal states to states where it is illegal
- Preventing violence and the use of firearms in the cultivation and distribution of marijuana
- Preventing drugged driving and other public health threats that may arise from marijuana legalization

From my perspective, these are far more important issues for the government to worry about. Raiding and shutting down legal businesses is not only a violation of states’ rights, it’s also an incredibly expensive and resource-sucking process.

You can read the entire memo here.

In short, these comments from the presumptive legal authority in America are certainly chilling.
However, I think that Donald Trump has far more to lose if he decides to let Jeff Sessions start a new war on drugs.

Here are four reasons why...

**Money**

Legal marijuana is big, big business — and Donald Trump is clearly a fan of big, big business.

According to ArcView Research, “Legal cannabis sales in the United States jumped 17 percent, to $5.4 billion, in 2015 and are expected to grow by 25 percent this year, to $6.7 billion.”

The market for recreational marijuana could explode to $21 billion by 2020, according to New Frontier Data. That’s a massive increase from the $5.7 billion last year and the projected $7.9 billion this year.

If you look five years beyond, that number could more than double. Investment firm Cowen & Co. predicts that legal marijuana sales could reach $50 billion by 2026.

**Taxes**

With big business comes big taxes, and the legal marijuana industry is raking them in...

In Colorado alone, legal marijuana sales reached $996 million last year, bringing in $163 million in tax dollars. That makes it the second largest revenue source — three times larger than alcohol, and 14% larger than casinos. According to the Marijuana Policy Group, marijuana tax revenues will overtake cigarettes by 2020.

Washington State brought in $77 million its first year — which is impressive — but that figure is projected to jump to around $270 million this year.

But California will hit the jackpot: some state analysts estimate local governments could see $1 billion in revenue from the production and legal sale of marijuana.

Once the Pandora’s Box of billions in tax revenue is opened, I don’t think even the “reefer madness” of someone like Jeff Sessions can close it.
Jobs

Trump ran for president on a pledge to bring back good, well-paying American jobs... and no new industry has done as well as the legal cannabis industry to bring about new jobs.

The industry created more than 18,000 new full-time jobs in Colorado alone. That isn’t just entrepreneurs starting pot shops, but those who provide lighting equipment, rent warehouse space, and hold retail positions. Other jobs include providing security, legal representation, and accounting services.

Nationwide, the industry provides over 150,000 jobs. If other states follow along we could see **300,000 new jobs** in the next few years.

While I think it’s great that Trump wants to bring back manufacturing jobs to America’s heartland, most would agree that is a pipe dream. The marijuana industry — if left alone — could bring back decent jobs in far greater numbers.

Public Support

Another thing Trump has been famous for is citing polls to justify his actions. If he sticks to that metric as Commander-in-Chief, he’ll have no choice but to back the will of the people.

A recent survey has shown that support for marijuana legalization in the U.S. has reached 60% — the highest level ever recorded.

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**Americans’ Views on Legalizing Marijuana**

Do you think the use of marijuana should be made legal, or not?

- % Yes, legal

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GALLUP®
That percentage will continue to increase during his presidency. I doubt he wants to wage a war on a very popular public opinion. Not to mention he will have his hands full if he wants Jeff Sessions to focus on the crux of his campaign: illegal immigration.

I contend that the Trump administration will be focusing on a ton of other things, not only illegal immigration, but Russia, Syria, Obamacare, China, trade policy, the Supreme Court...I could go on, but you get the idea.

My bet is that Trump lets businessmen be businessmen, and takes credit for job growth and tax revenue.

You can read some other opinions about it here, here and here.

As for Dean’s worries about the Canadian market, I would be even less concerned. I believe that they will legalize it for recreational purposes in the near future. In fact, a panel led by Canada’s former attorney general has offered more than 80 recommendations on how Canada could become the largest developed-world country to legalize marijuana. They have even released a “road map” to do so...

“People are coming to the conclusion that the prohibitory regime that has existed for decades is not working, and it is not meeting the basic principles of public health and safety that have to be at the core of this kind of public policy,” said Anne McLellan, chairwoman of the panel and a former deputy prime minister and justice minister.

I have no doubt that they will come up with a series of acceptable measures to make this happen sooner than later...

That being said, let’s check in on our marijuana positions:

**Invictus MD Strategies Corp. (IMH.CN) (OTC: IVITF)**

Invictus provides growth capital and management services in the cannabis industry – and are primed to do much more. They operate in a few different areas of the space: cultivation, production and ancillary products.

We’re currently up 9% on the stock, which has plenty of room to roll.

I had a call with Invictus Chairman, CEO and CFO Dan Kriznic and I was quite impressed with where this company is going, and with Dan himself.
First off, he is an accountant by trade – which is welcome for any company trading on the CSE. That exchange is famous for pushing paper around to enrich a few early investors. This is not one of those stocks...they are getting all of their ducks in a row before blasting out a ton of news to drive up the stock.

Dan was also awarded the prestigious “Top-40 Under 40” award in Vancouver and came into the business as a member of Deloitte as a senior accountant and deal-maker.

He has also been at the helm of some very interesting companies...his last position was helping build Canada’s largest for-profit education company.

Now here are some recent developments with Invictus:

• They are currently in talks to acquire a Canadian licensed producer (LP) to manufacture their own marijuana.

• They closed an option agreement on a 16,000 sq. foot production facility in Nevada – which just legalized recreational marijuana last month. A preliminary inspection date has been booked for late 2016 and the final cultivation license is expected to be issued in the first quarter of 2017. If the plan goes through in its entirety, they would hold a 60% stake.

• Just today they announced a deal to acquire a licensed facility in Washington State, which is currently in final stages of construction and will have the capacity to produce 2,500 kilograms annually. They would hold a 20% stake.

From the press release:

“This is yet another strategic acquisition for Invictus MD. The operations team has an established foothold within the California, Washington and Nevada markets. With this placeholder acquisition, Invictus MD will be well positioned to establish and execute operations in Washington and continue to build Future Harvest’s brand.”

The company also just completed a $12 million capital raise, which should give them plenty of money to deploy for acquisitions like those mentioned above.

But those are just the new moves. They also have several pre-existing businesses that are already bringing in revenue...

Here’s the rundown...
Future Harvest

Future Harvest has been perfecting solutions for the hydroponic and indoor growing industries. They have decades of experience, and sell many products that increase growing quality and efficiency...

They have over 40 proprietary products, including **Plantlife Products**, which produces fertilizer products focused on the cannabis, soft fruit, microgreen and vegetable industries.

They could be a buyout target as more large agriculture companies get in on the market. In fact, when Scott’s Miracle-Gro announced it was getting into the cannabis market, their stock shot up 30%. They ended up buying California’s General Hydroponics Inc. for $130 million. Future Harvest should be a prime target as the market heats up.

The PÓDA Pod

They call this “the Nespresso of Vaporizing Technology”.

The Poda Pod is a disposable vaporizer that comes loaded with around a gram of cannabis.

Here is the prototype:
I think it’s a great idea on its own, given the nature of marijuana tourism, where consumers may not want to buy a device to enjoy their purchases when they have to catch a plane after they’ve had their fun. And given the popularity of disposable tobacco “e-cigs”, it seems like this is a no-brainer for the cannabis industry.

However, the real play here is data. The PŌDA provides:

- Smartphone connectivity via PŌDA app
- Content info and real-time consumption data
- Endorsement opportunities
- Social Media integration

The data derived from this device could be a business onto itself. The company could sell data based on consumer preference, local buying habits and a number of other analytics that would be incredibly valuable to dispensaries everywhere.

You can see the entire Poda presentation here.

Another interesting angle for Invictus is that they actually pay dividends! I haven’t seen that in any other cannabis company to date. In November they paid out a million dollars in dividends to current shareholders after a profitable sell-off of some assets.

I expect that this won’t be the last dividend payment.

Here is the whole pipeline going forward:
In short, Invictus is building its business the right way.

Here are some recent developments since the last update...

The company brought Phillip Hague onboard as the Chief Science Officer and Head of Horticulture. Hague currently manages two large licensed cultivation facilities: a 120,000 square foot one in Chicago, and a 320,000 square foot facility in New York state.

From the press release:

Hague is recognized as one of the industry’s most sought after consultants. He has designed, built, staffed and maintained over 1,000,000 square foot of indoor cannabis cultivation and more than 20 acres of greenhouse facilities.

After transitioning from traditional horticulture into the cannabis space Phillip quickly built some of the most recognizable and successful brands in the cannabis industry, gaining the respect and interest of his peers and the media.

Winner of multiple awards including several prestigious Cannabis Cups, Phillip has been featured in numerous articles and news programs on the cannabis industry including National Geographic’s “the science of weed”, 60 minutes “The Marijuana Effect”, Rolling Stone’s “too high to fail”, Chicago Sun Time’s “A New Crop”, as well as multiple industry publications and news magazines such as CNN, MSNBC, Wall Street Journal and many others.

Certainly a good addition to the team...

Another development is their agreement with Cannaera, which is a division of the GreenTec Bio-Pharmaceuticals Group. They will oversee all of Invictus’ Canadian assets and acquisitions within the Access to Cannabis for Medical Purposes Regulations and provide assistance with certain U.S. acquisitions.

Cannaera’s vast rolodex and expertise in the industry will play a pivotal role in Invictus MD’s aggressive North America wide conquest, which has already begun.

“These are fundamental additions to Invictus MD’s management and growth team, both Phillip and Cannaera are highly sought after consultants and bring a track record of proven results and success.

With Canada’s task force developing the legal framework behind recreational legalization and the recent U.S. states that have voted in favor of legalizing cannabis for medical or recreational,
we are pleased more than ever to aggressively focus on building a cultivation platform across North America, as well as Future Harvest’s brand recognition globally.

2017 will be a busy year for Invictus MD as we navigate across the North American legal cannabis sector and its ancillary support verticals” CEO Dan Kriznic said.

They are setting themselves up for success and I’m excited for what next year will bring as they build out some of these new projects and expand through this country and position themselves to be a player in the coming legalization in Canada.

We’re buying Invictus MD Strategies Corp. (IMH.CN) (OTC: IVITF) under $1.50 and $1.15 respectively

**Helix TCS, INC (HLIX)**

This recommendation went absolutely crazy when I recommended it last month. In fact, it went up over 100% in a couple hours. While I don’t trust that kind of action, it goes to show you how much these stocks can move with a bit of press.

Lucky for us, Helix just got some more publicity. It is the cover story in *CannaInvestor Magazine* this month. It is titled “Playing Cannabis Chess with Strategic Partnerships and Key Acquisitions”.

It stressed the fact that the company has no “toxic financing” – which is a huge issue in any small marijuana stock. You want to make sure that the company plans of becoming successful long after early investors have cashed out their stock.

Here’s how they describe it:

Unlike many other small and micro-cap companies, Helix has avoided exposure to toxic finance in its capital investment structure. It has purposefully maintained an extremely tight float on on its stock available to trade on the market. The company’s capital structure is healthy and reflects lean operation and organic growth.

For these reasons, Helix TCS is less susceptible to stock price manipulation, toxic and harmful debt and egregious trading practices.

While it is still a risky and volatile stock, it is comforting to know that they are doing things the right way.
Here are the basics of Helix TCS.

They provide integrated operating solutions for the legal cannabis industry. Helix provides banking consultation, data, security and product monitoring and transportation for the industry.

They are pretty much a one-stop shop for companies that wish to break into the business.

They are located in the right place too, Colorado. A new report from the Marijuana Policy Group about Colorado’s cannabis business reveals it to be a $2.39 billion market in 2015 alone – the fastest-growing business sector in the state.

To put that in perspective, the report suggests legal cannabis will surpass tobacco by 2020 as a source of tax revenue.

It has already funded more than 18,000 direct and secondary full-time jobs last year alone.

Setting these businesses up isn’t easy to do, and Helix TCS exists in order to get all of a fledgling cannabis company’s ducks in a row.

TCS stands for Technology, Compliance and Security.

Most of the most difficult aspects of the business come about because it is so highly regulated. It’s a joke among cannabis investors that the only industry more regulated than cannabis is nuclear energy.

That’s why it is so important to understand regulatory compliance.

Here’s how Ryan Girard, CEO of Complia explains it: “It is far too easy to overlook what may be the most critical component to an acquisition in the cannabis space: regulatory compliance due diligence.”

**Licensing**

First and foremost, it is critical to validate the authenticity and standing of all marijuana business licenses from both state and local regulators. Just recently Cannacea, a marijuana business in Oregon, captured headlines as reports surfaced of Cannacea management fabricating letters from regulators to entice investors. We’ve also heard reports of operators using tools like Adobe Photoshop to simply produce fake licenses.
States like Colorado offer an online database of license standing. This is an easy place to start. However, it is also strongly advisable to call the regulator by phone (or pay them a visit in person) to verify the authenticity of all involved licenses.

**Investigatory History**

Additionally, it is of critical importance to understand if the target business has had any negative run-ins with regulators in the past. It is entirely reasonable to ask the target to provide copies of all inspection records from all applicable regulatory bodies including marijuana regulators, health regulators, fire department officials, law enforcement, OSHA, agriculture departments, and others.

As with licensing, acquirers are strongly encouraged to reach out to regulatory bodies to verify the information provided. Most regulatory agencies will provide copies of all applicable records for a nominal fee provided the business owner has provided permission. In some cases, the Freedom of Information Act (FOIA) or local equivalents (such as CORA, the Colorado Open Records Act) can be utilized to dig up additional information.

In the event this research reveals a pending investigation, it would be wise to involve legal representation to ensure that appropriate protections are employed in the event the outcome of the investigation causes damage to the target entity. Because there is still a rather limited set of enforcement/disciplinary data available from historical investigations, use extreme caution if exploring a deal with an entity that is pending investigation.

**Operational Compliance**

Regulators aside, it is of critical importance to carefully inspect the business and review business records for any compliance issues that might not yet have been identified by regulators. In markets with hundreds of marijuana businesses, it’s not uncommon to hear about marijuana businesses that have never received a visit from a marijuana-specific regulator. As such, regulator inspections records cannot be relied upon as a definitive tool when evaluating a business’ compliance program.

- It is advisable to request that the target business furnish a wide range of documentation including: Current and previous licenses (for the past three years) and all regulatory filings from the previous year (including license renewal packets, modifications of premises, change of location, change of trade name, change of ownership, etc.).

- Detailed documentation surrounding involved entities, property owners, locations, local licensing authorities, and owners.
• Employee files (which should include applicable compliance documentation including pesticide applicator certificates, food handler certificates, occupational badges, etc.)

• Laboratory test data (including all evidence to support full compliance with applicable and required testing standards – keep a close eye out for pesticide issues)

• Inventory tracking and appropriate use of required State mandated seed-to-sale tracking tools

Moreover, it is critical that the target business is carefully inspected and vetted for all appropriate on-site compliance requirements including:

• Security systems and associated logs

• Visitor logs and visitor history

• Incident logs

• Required packaging, labeling, and signage

• Compliant facility layout with clearly defined restricted and limited access areas

• Patient records and designations

This is only a small taste of the full breadth of what should be closely examined.

Conclusions

This is a complex and specialized field that needs very careful attention. Given the highly complex regulatory environment surrounding cannabis, regulators command a great deal of power and have tremendous influence on operations.

We have only just started to see the tip of the consolidation iceberg. It’s only a matter of time before we hear more about deals gone bad because of compliance issues.

As you can tell, there are so many moving parts here that companies would be wise to use a company like Helix TCS to manage it to avoid overlooking any important step that could literally sink a business before it even gets off the ground. I wouldn’t expect any new entreprenuer to have a grasp on all of these topics.
Security

Helix TCS is already the fastest growing cannabis security company in the U.S. – and they have the credentials to back it up...

CEO Zachary Venegas is a West Point graduate who served with as a U. S. Army infantry officer before going into a career in finance. He has established and led cutting edge firms in the competitive intelligence and security industries in Africa and the Middle East. Since beginning his career at JP Morgan in Geneva, Switzerland, he has lived in 14 different countries, operated in over 70, and speaks Arabic, French, Portuguese, Spanish, and Romanian and has a conversational command of Afrikaans and Swahili.

Their VP of Operations, Grant Whitus, is a 26-year veteran as a Colorado sheriff, and SWAT team leader for some of the most significant tactical operations in the nation’s history, whose record includes 16 medals as the most decorated deputy sheriff in Jefferson County, as well as being honored with his SWAT Team in 2002 as “Police Officer of the Year.”

The Helix TCS security team is comprised of accomplished military and law enforcement veterans, all of whom are trained with the most advanced training techniques, including response to the active shooter techniques, hand-to-hand combat, robbery response, cannabis laws and compliance.

Some pretty legitimate security credentials there, as I’m sure you’d agree.

Technology

As for the technology part of the business, they have also just acquired Cannabase, the oldest and largest wholesale platform in the cannabis industry.

Here’s the press release:

The purchase of Cannabase, a leading cannabis industry technology provider, will allow Helix TCS to rapidly expand its technology operations in the quickly emerging cannabis market. “Cannabase’s critical mass in the marketplace, coupled with the deep pipeline of market-ready technology solutions, made its acquisition a strategic imperative. As the largest Cannabis security and transport firm in the nation, Helix TCS’ clients will benefit from Cannabase’s wholesale marketplace, data services and archives, as well as its unique suite of interactive features. This supports our mission to provide a compliant, integrated operating solution to clients,” explains Zachary Venegas, CEO of Helix TCS.
Jennifer Beck, Cannabase co-founder and Managing Director, explains: “The partnership with Helix TCS will help Cannabase offer fully integrated sales and delivery options to Cannabase’s client base, while Helix TCS’ strategic partnerships act as force multipliers for Cannabase’s existing and soon to be announced technology solutions. We’re incredibly excited to partner with Mr. Venegas and the Helix TCS team, whose deep experience in frontier markets, venture capital and competitive intelligence will accelerate our shared goals of creating powerful integrated solutions for the emerging cannabis market.”

Cannabase, a platform designed in 2013 to provide seed-to-sale marketing and sales tools to the emerging cannabis industry, today represents over 72% of all cannabis licenses in Colorado. As a subsidiary of Helix TCS, Cannabase will continue to fulfill its mission of helping licensed cannabis businesses buy and sell wholesale product more efficiently and with less risk, ensuring a higher return on investment throughout all stages of the supply chain.

As the oldest, largest, and most liquid cannabis exchange on the market, “Cannabase’s recent strong financial performance mirrors Helix TCS’ financial performance, driving value for investors,” Ms. Beck explains, “and we’re looking forward to continued growth and success as we continue to improve the availability of actionable data, interactive advertising tools, and robust inventory control solutions for the legal cannabis industry.”

Cannabase, which will continue to operate under that name, is now a wholly owned subsidiary of Helix TCS.

You can read more at the Cannabase website: [https://cannabase.io/](https://cannabase.io/)

They also just partnered with MJ Freeway, a market leading seed-to-sale software provider.

The partnership paves the way for a live cannabis exchange marketplace powered by MJ Freeway’s seed-to-sale – specifically price and inventory – data. Cannabis retailers and cultivators will find key challenges solved in the integration of MJ Freeway’s live data, including:

- Streamlined buying and selling transactions to deliver real-time instantaneous execution and real settlement
- Improved product and price transparency
- Increased opportunities and prospects for sourcing and selling
MJ Freeway’s market representation over 40% in 23 states nationwide, this partnership is poised to accelerate the flow of wholesale product for cultivators, infused product manufacturers, and retailers nationwide.

These areas are all of tremendous value to the burgeoning legal cannabis industry. As more states sign on for legalization – which is all but inevitable – first-mover companies like Helix TCS will have no shortage of clients.

We’re buying Helix TCS (OTC: HLIX) under $7.50.

**Canopy Growth Corp. (CGC.TO)**

We’ve rode Canopy Growth for an astounding 830% gain. We sold half at $17.30 and now it has pulled back into “steal” territory. It currently trades for around $9. Buy some.

Many readers have written about the recent slide in share price. You shouldn’t be worried at all. These stocks all went haywire in the sunup to the California vote – which is why I sold off half of Canopy.

But have no fear, this just represents a great buying opportunity.

It continues to be my favorite cannabis stock, especially after the recent dip. Now everyone knows this is the real deal, and we can all expect less volatility and more steady growth. Especially considering that institutional investors haven’t jumped into the mix yet. When they feel comfortable enough to do so, stocks like Canopy will see a massive influx of investment.

I think that time is coming soon...

Recently Canada has released the final report of their task force that will be in charge of the legalization and regulation of marijuana. It sets the stage for legalization in 2017, and full sales of recreational marijuana in 2018.

You can read the report [here](#).

Here’s Canopy’s official response:

“This report is good news for Canadians and in our view provides a strong policy framework for the government to consider. Most importantly, we think it confirms that the current medical system for production is working and should form the backbone of ongoing production into the future. It recognizes the value of limited
grow-at-home and diversity of producers and access methods, all things we support as a Company. It also recognizes that the existing mail order system has merit as an ongoing complementary distribution system reaching all Canadians conveniently and securely.” “We have concerns that the Task Force is recommending no differentiated tax regime for medical and recreational sales, which has the potential to unduly burden cannabis patients. A path forward to insurance coverage must also remain a top priority for Canadian policymakers. Cannabis access can only truly be achieved if barriers to affordability are removed.”

“On branding, we certainly agree with the need to limit promotion of cannabis, particularly anything that promotes the product to children or encourages irresponsible consumption. In our view, however, cannabis is not the same as tobacco or alcohol and merits its own carefully considered framework. Packaging debates are driven by public health concerns and rules surrounding packaging and promotion need to be balanced against cannabis’s unique existence in the black market and the relative harms it presents to society and youth.”

“Lastly, on the topic of ‘corporate cannabis’, we are proud of the hundreds of jobs we have created, the millions of dollars we have spent in Canadian communities building world-class production facilities, the thousands of doctors and researchers we have visited, the tens of thousands of patients we serve, and that we are building an innovative global cannabis company based right here in Canada. Our investments result in improved support, variety and quality for Canadian customers and we are proud to always seek to advance the dialogue on cannabis policy. We are privileged to be a part of this exciting change, and look forward to expanding on our contributions in this sector over the months and years to come.”

“Many details still need to be worked through but this appears to be a very promising start to a successful Canadian policy framework, and we are thankful to the Task Force for their hard work in bringing concise policy recommendations forward on a very complex issue.”

Since the last update, Canopy has done a few interesting things to make sure they remain the best positioned cannabis company in the world:

**Mettrum Health**

Canopy and Mettrum Health Corp. (“Mettrum”) (TSXV:MT) announced a definitive arrangement agreement where Canopy Growth will acquire all of the issued and outstanding
shares of Mettrum, creating a worldleading diversified cannabis company with six licensed facilities, and a licensed production footprint of approximately 665,000 sq. ft., with significant acreage for expansion. This is a huge pickup.

- Canopy Growth will add two national brands to its portfolio, increasing its production platform to 665,000 sq. ft., and furthering its position as a domestic and global leader.

- The acquisition provides Canopy Growth with a full-spectrum product offering including expansion of medically-focused & lifestyle brands and the addition of a natural hemp brand. (And Hemp will quietly become a huge market over the next few years).

- Acquisition allows for sharing of best practices and production standards, with the potential to reduce costs and realize revenue synergies

You can read the whole agreement [here](#).

### MedCann GmbH Pharma and Nutraceuticals

Canopy entered into an agreement to acquire MedCann GmbH Pharma and Nutraceuticals, a German-based pharmaceutical distributor, for placement of Tweed-branded cannabis in German pharmacies – expanding their international reach.

MedCann GmbH Pharma and Nutraceuticals is a leading cannabis importer and distributor within Germany where the cannabis industry still relies solely on imported products. Canopy would provide those imports.

“Germany has begun a process of enabling medical access to cannabis and through a policy that recognized Canopy as the first legal supply source from North America,” said Bruce Linton, Chairman and CEO of Canopy Growth Corporation. “This acquisition establishes a distinct and purely medicinal corporate entity that helps us today but also positions us for domestic medicinal production inside Germany if the regulatory environment shifts.”

These are big moves that further my confidence that Canopy will be the global leader in legal cannabis for many, many years to come.

**We’re buying Canopy Growth up to $12.00.**
Dividends

Compass Diversified Holdings

We’ve been quietly sitting on our position in Compass Diversified Holdings (NYSE:CODI), and it has been working wonders for us.

We added shared of the private equity firm specializing in acquisitions, buyouts, and middle market investments back in late January.

Since then, we’ve seen the company move in and out of equity positions of various small companies through its subsidiaries. This year, Compass has been involved with:

- Sterno Products acquiring Northern International, an industry leader in flameless candles and outdoor lighting for the retail segment.
- A partial divestiture of Fox Factory Holding Corp., an off-road vehicle maker
- Clean Earth acquiring Phoenix Soul, which provides environmental services focusing on decontaminating soils, along with EWS Alabama, which focuses on waste management services.
- ERGObaby acquiring New Baby Tula LLC, taking over its line of baby and toddler carriers, slings, blankets and wraps.
- The acquisition of 5.11 Tactical, a designer and marketer of purpose-built tactical apparel and gear for law enforcement, militaries, firefighters, and outdoorsmen.
- A sale of Tridien Medical, listed through the subsidiary Anodyne Medical Device, Inc. to another company.

These were all strategic moves to either expand the services, geographic reach, and profit potential of subsidiaries, or to free up capital for acquisitions of potentially more lucrative companies.

The third quarter saw year-over-year earnings growth in the Company’s Sterno Products, ERGObaby and Manitoba Harvest businesses, offset by declines at the Company’s other businesses.

Overall, cash provided by operating activities hit $15.1 million, as compared to $14.2 million.
The company reported cash flow of $22.6 million for the quarter down a bit from $23.8 million year-over-year.

Just a couple weeks ago, the company announced a new share offering of 5,600,000 common shares at a price to the public of $18.65 per share. CODI expects the gross proceeds from the offering to be $104.4 million. The underwriters will have a 30-day option to purchase up to an additional 840,000 common shares from CODI.

The money is going to be used to pay off part of its revolving credit facility, taking advantage of high share prices in the bull market.

It did impact share prices, but we’re still up nearly 31% since we added it to the portfolio. That’s nearly triple the S&P 500’s gains for the year so far, and Compass’ volatility is considerably lower.

And that doesn’t include the massive dividend windfall we’ve been cashing in on, which is why we added Compass to the portfolio in the first place.

We’ve seen three dividend payments already, pulling in $0.36 per share each. We’ve already been returned 7.43% of the $14.53 share price when we created the position. We’ll have another dividend before Compass has been in our portfolio for a year.

If the dividend holds at current levels, we’ll have been effectively reimbursed for 9.9% of the initial investment.

The recent share offering has brought down share prices just below our “buy under” price, so if you want the opportunity to take advantage of the 8% dividend and share price appreciation we should see next year, now is the time.

The next dividend should be announced around the end of the first week of January, so we have about three or four weeks to add shares if we want to boost our position prior to the next disbursement.

We’re buying Compass Diversified Holdings (NYSE: CODI) under $19.00.

**Newtek Business Services (NASDAQ: NEWT)**

Newtek is a business development company (BDC). This is a relatively obscure type of publicly registered company with some very nice benefits.
In exchange for limiting debt, avoiding most affiliated transactions, agreeing to a code of ethics and a comprehensive compliance program, and greater SEC regulation, Newtek will see substantial tax savings.

It will also be required to distribute pre-conversion earnings in a special dividend and consistently return new earnings to shareholders.

In fact, by the rules of the regulations, they have to pay 90% of their earnings as dividends. And since their earnings are pretty predictable, this could be a solid 20% return as long as you own it.

That is why Newtek has been very generous to us. Since I recommended it for its “special dividend” last year, we’re up 84.92% – even though the stock itself has only gone from $14.40 to $15.57.

That, my friends is the power of high yield dividend stocks.

Newtek recently declared a $0.40 dividend for the fourth quarter. It will be paid on December 30 to shareholders of record December 15. In total, Newtek will pay $1.53 in 2016 cash dividends. It intends to pay $1.57 in 2017.

I predict that Newtek won’t really move much in stock price over the next year, however they do pay a whopping 10.24% dividend. That’s a hell of a return to say the least, and they may even announce another special dividend next year.

We’re buying Newtek Business Services (NASDAQ: NEWT) under $15.00.

Collector’s Universe (NASDAQ: CLCT)

We’re up 179% on Collector’s Universe since I first recommended it. It remains one of my favorite dividend stock that nobody seems to have heard of.

They had another incredible year.

Here are the most recent financials...

Operational and Financial Highlights:

- Revenues in the first quarter increased by $1.1 million, or 8%, to $15.7 million from $14.6 million in last year’s first quarter. That increase was driven by a $0.7 million,
or 7%, increase in coin service revenues and a $0.4 million, or 11%, increase in cards and autograph service revenues.

- Coin revenues generated by our overseas operations increased by $0.6 million or 64%, to 9% of consolidated revenues and 15% of PCGS revenues, in this year’s first quarter, as compared to 6% of consolidated revenues and 10% of PCGS revenues, in the same quarter of last year. Revenues from our China operation increased by $0.3 million or 65% in the quarter.

- The gross profit margin was, as expected, 61% in this year’s first quarter, as compared to 65% in last year’s first quarter, reflecting (i) a lower average service fee for coins earned in the US resulting from the more competitive and focused marketing program for modern coins that we introduced in January 2016 and (ii) increased investment in China to increase capacity in anticipation of higher revenue from the recently announced new customer contract with Guojin Gold Co. Ltd.

- Operating income in this year’s first quarter was $2.8 million, as compared to $3.2 million in last year’s first quarter, reflecting higher operating expenses of $0.6 million, related to business development costs, particularly in China and other IT initiatives in support of our businesses.

- Income from continuing operations in this year’s first quarter were $1.6 million or $0.19 per diluted share, as compared to $1.9 million or $0.23 per diluted share, in last year’s first quarter.

- The Company’s cash position as of September 30, 2016 was $10.3 million, as compared to $11.9 million as of June 30, 2016. Net cash used of $1.6 million included $2.0 million of cash generated from continuing operations offset by $3.0 million used to pay cash dividends to stockholders and $0.6 million used for capital expenditures and capitalized software costs.

- On October 25, 2016, we announced our quarterly cash dividend of $0.35 per share, which will be paid on November 25, 2016 to stockholders of record on November 16, 2016.

It’s PSA (Professional Sports Authenticator) division really had a record year...

PSA is the world’s largest trading card, autograph, and memorabilia authentication and grading service. Since 1991, PSA experts have examined and certified over 27 million collectibles with a combined value of over $1 billion.

And it was a great year for the hobby of sports collecting. Prices soared, especially those in...
the vintage card market, treasure troves of cards were uncovered, and the hobby in general thrived.

The top 10 highest selling collectibles in 2016 at public auction, all of which were certified by PSA, combined for an astonishing $12,186,294 in value.

Topping the list at $3,263,246 is the “Laws of Base Ball,” the group of documents written in 1856 & 1857 that framed the foundation of America’s pastime. Other notable items include a 1952 Topps #311 Mickey Mantle rookie card, graded PSA NM-MT+ 8.5, that sold for over $1 million, and a professional model bat used by the fabled “Shoeless” Joe Jackson that sold for $583,500.

Here is the complete list, in order of auction price realized:

1. The Laws of Base Ball: $3,263,246, SCP Auctions, April 2016
5. 1963 Topps Pete Rose, PSA Gem Mint 10: $717,000, Heritage Auctions, August 2016
6. 1916 M101-5 Blank Back Sporting News Babe Ruth, PSA NM 7: $717,000, Heritage Auctions, August 2016
7. 1909 E90-1 American Caramel Joe Jackson, PSA NM-MT 8: $667,189, SCP Auctions, August 2016
Funny personal story, I was at a birthday party in elementary school where my friend received the above Nolan Ryan card for a birthday present. Now that the card is worth $612,359, I should probably get back in touch with that guy...

We’re buying Collector’s Universe (NASDAQ: CLCT) under $23, with a juicy 6.45% dividend anchoring a solid position.

It’s that time of the year: holiday parties, mistletoe, a bit too much eggnog — a combination that’s enough to cause trouble for anyone (... or maybe just me?). In any case, between the yuletide and New Year’s resolutions, the end of the year is a prime time to take inventory of your finances... And the best place to start is with your tax return. You could be giving up far more money than necessary to the giant suck-hole that is the U.S. government. If you are any kind of pirate, you know damn well we give the IRS no quarter.
Do yourself a favor and take advantage of tax-saving strategies. There are a number of different areas you need to look at — including retirement savings, investment income, itemized deductions, home improvements, and health savings accounts.

Of course, this is just a small list, and you really do want to make sure your refund is as large as possible, right? At the very least, you want the government to get less of your hard-earned money.

**Maximizing Your Write-Offs**

When it comes to getting the most from your taxes, one of the first things you need to do is practice due diligence on possible deductions. Most experts seem to advise looking into deferring your income until the following year (or possibly later). This could mean something like delaying a big bonus at work, an extra special commission, or just any decently-sized chunk of money that you could convince an employer to pay you in the coming year rather than now.

**Consider Investing in a Roth IRA**

Contributions are made to this account on an after-tax basis, but all the income made in the account can grow tax-free, subject to certain very easy to satisfy requirements. If you have extra cash, the best thing to do is to max out your Roth IRA.

You can contribute $5,500 per year tax-free (or $6,500 if you are over 50). The next thing to consider is possible itemized deductions. Two great areas to start with here are home mortgage interest and property taxes. Not only do homeowners get to include their property taxes along with their mortgage interest as a write-off, but you can also deduct interest on debt that was incurred to buy, build, or substantially improve your principal residence and one other personal residence. Take advantage of these deductions if at all possible.

You may want to consider kick-starting that end-of-the-year home improvement project. If you have a health savings account (HSA), you can max that out as well. Keep in mind you do not have to use the funds for health care needs; you can actually invest the money within the HSA for your retirement. Jorie Pitt, an associate financial planner at AHC Advisors, told MarketWatch: You get a tax deduction for your contribution and you get tax-deferred or tax-free growth on the contribution and the investment earnings depending on the future use of the money. If you use the HSA assets to pay for qualified healthcare costs now or in the future the contribution and the earnings are withdrawn tax-free. If, after the age of 65, you use the HSA assets for non-health care costs then the contribution and the earnings were tax-deferred and...
the money will be taxed upon withdrawal from the HSA. The limit for HSA contributions is $3,250 for individuals and $6,450 for families.

Planning for Your Individual Situation

Of course, each person and each family will be slightly different. You may have had some major life-changing events in the past year, like buying or selling a home, getting married, or even going through a divorce. All of these things can have impacts on your taxes, so you should take the time now to consider how to work around all of them and get the maximum return. Maybe you have some stocks that performed all over the map during the past year?

Tax Selling

A quick caveat: If you plan on selling losing stocks for tax purposes, I recommend speaking with your accountant or financial advisor to find out the best approach. Simply put, when you sell stocks for a gain, you are taxed on that as “a capital gain.” However, if you sell for a loss you can claim that loss on your taxes as a “capital loss” to offset whatever gains you may have. It also helps to have held the stock for a full year to lower your tax-liability. Now, I am not an accountant, so I seriously recommend you have this discussion with them before making such moves. The area is full of possibilities. You could take some of the stock or even fund shares and donate those to charity in order to bump up another deduction on your return.

This works great if the shares have increased in value, since you also avoid paying tax on their appreciation. If the stock has been at a loss (maybe an even better reason to consider donating), sell the stock first so that you can claim the loss as a deduction and then make your charitable donation... You’ll get two deductions at once. Those of you who are aged 70 1/2 can make cash donations directly from your IRA to qualified charities. These can be up to $100,000 in total, and they are completely federal income tax-free. They do not get reported as charitable write-offs on your tax forms, although they will still definitely help your tax profile and allow you to keep more of your money.

Be sure to check with a professional on this one, since there are some unique requirements. If you are self-employed, another great idea is to consider employing your children. This means income can be shifted from you to your child or children so it is not subject to the kiddie tax rule. You will likely see payroll tax savings, since wages paid by sole proprietors to their children (aged 17 and younger) are exempt from both Social Security tax and unemployment tax. Plus, your children could then start contributing to their own IRA account. (Of course, the wages paid must be reasonable, given their age and what they actually do.) Again, this should encourage discussions you should have with your accountant or financial advisor.
The holidays are in full swing and aside from the quality family time, boozy holiday parties, and the nervous smiles of children everywhere, there is one thing that most revelers forget about: fire.

It’s obviously not something anyone wants to think about. But this time of the year is perhaps the most important time to think about it.

Christmas is the greatest time of the year to get that fireplace crackling, string a dried-out tree with tangled and frayed lights, and cook a half-dozen bubbling courses on a hot stovetop. Each one of these activities are high-octane fire starters that can easily end in tragedy.

In fact, the Christmas season is the time of year that home fires peak. December through February counts for over one-third of annual home fires and fire deaths.

I’ve witnessed the horror here in Baltimore, where five fire deaths occurred over the last week alone — doubling the total for the year. That included a 90-year-old woman and four young children.

The sad part is most of these tragedies can be easily avoided.

In fact, one tiny company I uncovered could solve almost all of these problems once and for all. They could save thousands of lives, keep hundreds of families intact, and allow older folks to stay in their homes without fear of cooking accidents.
So, while you are protecting your loved ones and your property, you could also make a bundle of money.

Here’s what you need to know...

After hearing the news stories pile up about these tragic accidents and preventable deaths, I decided to dive back into a company I’ve been following for a while now.

**Pioneering Technology Corporation (PTE.V)(OTC: PTEFF)** is a fire prevention company.

It specializes in devices that shut off before tragedy strikes. I’m talking about common sense approaches like stovetop burners that have alerts that sound when a pot has been sitting too long and microwaves that interrupt power when they detect smoke.

I recently sat in on a company presentation, spoke with management, and was quite impressed with their business structure. I love small, **niche companies** that have a singular focus that meets an obvious need. Pioneering fits that criteria to a T.

Here are a couple of facts:

- Cooking is the #1 cause of household fires and fire injuries (48%)
- 1 in 8 households will experience a cooking fire every year
- This results in $1 billion in direct property damage

Obviously, this problem needs better solutions. Here are a couple ways that Pioneering Technology Corporation solves them...

**RangeMinder**

The RangeMinder is engineered to prevent unattended cooking fires. Unattended cooking fires are the biggest leading cause of house fires — by a large margin. Even leaving your stovetop alone for a few minutes while you go to the bathroom can result in a catastrophic fire.

The RangeMinder has four wireless, touch-sensitive dials that replace the knobs on most gas, electric coil, or glass top ranges. It can recognize when cooking is left unattended for too long and alert you before a fire can start.
It retails for $149, which is a perfectly reasonable price for peace of mind and safety — especially around the holidays. I personally have a terrible habit of cooking at least four things at once while entertaining family, and I’m far from perfect when it comes to carefully watching my culinary creations.

**SmartBurner**

The SmartBurner is a patented cooking system that can replace those dangerous metal coils that are responsible for most cooking fires. Consumers can install them in their homes themselves with ease.

The burner balances the heat coming from the burner, which not only makes for more even cooking, but also reduces the risk of cooking fires.

It retails for $199 for four burners.

**Safe T Sensor**

The Safe T Sensor attaches to your microwave and shuts off the power when it detects smoke.

This is a big deal. Let me give you two quick examples of why...

A few weeks ago, another office in our building set off the fire alarms because — you guessed it — someone hit an extra button on the microwave and turned their lunch into a smoky disaster. The entire building had to evacuate, which not only cost untold thousands of dollars in lost productivity, but took the fire department away from much more serious and pressing emergencies.

A microwave equipped with the Safe T Sensor would have shut the microwave off well before the need for such drastic measures.

Here’s another example that you probably haven’t considered...

In college dorm rooms across the country, drunk students manage to burn more popcorn than Satan working the concession stand at a multiplex. Every time they do, hundreds of students have to be evacuated.
Colleges around the country would be wise to implement Safe T Sensor.

All told, microwaves are involved in over 2,100 home structure fires per year and are responsible for more emergency room injury visits than any other cooking device, according to the National Fire Protection Association (NFPA).

It’s a $49 product.

It’s pretty obvious that Pioneering makes valuable products that have only started to be used.

And while I like the products and know that they can save lives and prevent property damage, my major interest here is in the company itself. It could be the prime target of a buyout from a major manufacturer.

All told, Pioneering products have been installed in 150,000 homes across North America — primarily in Canada — without a single fire being reported. That’s a hell of a track record. If it can expand into the U.S. it could really do quite well for itself.

Even a couple deals with large-scale apartment complexes, hotels, and nursing homes could ramp up its stock in the coming year...

The Company

Pioneering Technology Corporation (PTE.V) (OTC: PTEFF) is a micro-cap. It has a market cap of $38.21 million and a 52-week range of $0.11 - $1.09.

It has also just posted its sixth consecutive profitable quarter. Here are a couple highlights from the latest financial results.

- Fiscal 2016 revenue of approximately $6.8M, an increase of 55% versus over 2015. This represents a 70% compound annual growth rate since 2013.

- Record fourth quarter revenue of approximately $2.6M, an increase of 120% over 2015 and up 60% versus Q3 2016 ($1.624M — which was the Company’s previous best reported quarter).

- Fiscal 2016 net income of approximately $1.056M or $0.03 EPS, an increase of 649% versus net income of $141K in 2015. Net income for the fourth quarter is estimated at approximately $640K

Pioneering Technology Corp. is headed in the right direction. If it is able to secure some of
the big deals I mentioned before, and manage to get its products into some of the larger American hardware stores like Home Depot and Lowe’s, it could continue that growth in a big way. In fact, they just secured a deal with Pennrose Properties LLC of Philadelphia to include SmartBurner installations for all of its new building and redevelopment projects. The deal covers 16,000 multi-family housing apartment units in 12 states.

These are the types of deals that will lead to continued growth.

The stock has doubled since I first checked in with it, and I expect it to continue to grow.

**We’re buying Pioneering Technology Corp. (PTE.V) (OTC: PTEFF) under $0.90**

### Closing

Thank you all for reading this year. It is humbling and rewarding to have so many great readers. We’ll be sprinting out of the gates in 2017, so keep your eyes peeled for updates.

With that, I leave you with a toast to a safe and happy holiday season...

Our lager, Which art in barrels, Hallowed be thy drink.

Thy will be drunk, At home as it is in the tavern.

Give us this day our foamy head, And forgive us our spillage, As we forgive those who spill against us.

And lead us not to incarceration, But deliver us from hangovers. For thine is the beer, the bitter, and the lager.

Godspeed,

Jimmy Mengel
Investment Director, *The Crow’s Nest*