

A black silhouette of a person standing in a wooden bucket or basket. The person is holding a long pole with a flag at the top in their right hand and a telescope in their left hand. The person is wearing a white loincloth.

The
CROW'S NEST

February/March 2019

Ahoy Crow's Nesters,

My grandmother died a few weeks ago.

It was expected, it was peaceful – but it was still incredibly difficult.

She was my last remaining grandparent, so I've spent quite a few nights attempting to honor her memory by telling my children stories about her, recounting what she meant to my brother and sister, and commiserating with my father about what it is like to lose a parent.

Generally, all pretty heavy stuff..

But I can safely say that Joy Mengel lived up to her name. She was the kindest, most positive grandmother a kid could have. There was never a question I couldn't ask her. There was never a walk she wouldn't take me on. There was never a time where I questioned the fact that she would do anything in the world for me.

I fondly remember her taking me by the hand through her meticulously detailed garden in the quaint town of Hollidaysburg, Pennsylvania, pointing out each and every flower, fern and tree and why they were so important to one another. Together, we listened to the unique pitch and timbre of the songbirds and watched intently as the resident mother rabbit brought food back to her family in the large bush in the back of the yard.

I'll also remember shouting at and shooing away every squirrel that dared to come in and disrupt the glorious symphony of life she had cultivated in her own backyard. (When it came to her garden, her kindness had its limits..)

That is to say that she had a deep understanding about the natural relationship of all living things, and knew damn well how to arrange them.

So when she told me early this year that she wanted to stop all of her medications and drift off into her next life, I was helpless to argue with her. She knew what she wanted and how it should be arranged.

Frankly, I admired her for it.

What I gleaned from the experience – aside from the deep emotional impact of how important family is – is that it really pays to be prepared. We're not going to be here forever, so you really need to have your estate in order, lest you pass along an overgrown mess for your family and friends to tend after you pass on.

God-willing, you should leave behind a perfectly tended garden.

Now, I'm not just talking about the sheer logistics of wills, bank accounts, retirement funds, pensions, real estate and everything that one accumulates over a lifespan.

My grandmother had this figured out perfectly and all of her documents were collected and in order. She left no stone unturned and it made the agonizing and stressful parts of this phase of life completely manageable.

Her fastidiousness in this regard enabled my family to sit with her for several days, reminiscing, sharing stories and celebrating the wonderful life she led. At no point were we scrambling around in a panic trying to tie up all of the loose ends: visiting banks, calling mortgage companies, settling hospital bills, arranging moving companies – the list goes one and on. It can suck all of the positive energy out of a time like this.

It allowed my family to properly grieve together and really feel the process.

But this doesn't happen overnight. It takes forethought and planning.

One of the last times I visited her, she presented me with one of my most cherished gifts: two large boxes filled with family memories. Inside there were dozens of photo albums, scrapbooks, family heirlooms and all kinds of random ephemera.

I learned so much about her, my grandfather, my father and uncles – even about myself.

Looking back on it, not only did she want to share all of these important memories with us while she was still around, but she also wanted to declutter her home. She had the kindness to realize that she didn't want a home full of items to have to be cleared out all at once.

After she passed, I helped pack up her remaining items. I found several perfectly packed boxes like the one she gave me, labeled with the names of relatives that she wanted them passed along to. I later found out that she had already been shipping some of these around the country and handing off cherished valuables to friends and family that came to visit.

Along with my father, brother and uncles, we spent the afternoon going through the items that remained unclaimed.

I asked my father about the Grandmother clock she had in her living room. I remembered it fondly and humbly asked if I could bring it home.

He told me the story of that clock; one that I had never heard before.

In the 1950s, she had visited a consignment shop to drop off some furniture that the family wasn't using at the time. While she was there she fell in love with one particular clock, which was rather expensive for their budget at the time. Nevertheless, she felt that the clock called to her and she wanted it displayed in their home.

My grandfather was a very thrifty man; he wore the same clothes for decades, never drove a flashy car and used everything he had until it could be used no more (she cheerfully recalled him being "smart but cheap"). This proved true when I found several hammers from the 1940s that had clearly been used for the better part of a century in the box she gave me.

He told her that they couldn't possibly justify purchasing another clock, especially one that was so costly.

Joy was not dissuaded. My dad told me that she immediately took a part-time job delivering phone books around town in the old family station wagon. After each paycheck, she would visit the consignment shop and hand over \$50 at a time.

By the end of the summer she had paid off the clock and took it home to feature prominently in their family room. She was proud of her work, and my father and uncles were proud of her resilience. The clock already meant a lot to me, but after hearing the story it meant so much more.

I began to pack it up to take home and I reached inside to secure the pendulum, leader and suspension spring.

When I reached inside, the original receipt was still in the base of the clock: *Paid in full, Joyce Mengel.*

The clock is now the focal point in my parlor, right next to several black and white pictures of my grandparents. While it may have had a price all of those years ago, to me it's priceless.

With that being said, I think it is time that we start cleaning out *The Crow's Nest* closet. Some of our positions have existed since I launched the letter in 2014.

I also realize that our crew has grow considerably over the past two years, and many of the older positions have long blown past my buy prices. I hope that by thinning the portfolio over the next two to three months, we can open up more space to operate towards the future.



Charting the Course

Let's begin the decluttering with one position that is relevant to my nostalgic waxings above.

Life Storage (NYSE: LSI)



This one is pretty on the nose.

Life Storage is a self storage company and real estate investment trust based in Williamsville, New York. The company operates over 750 self storage locations throughout the United States. I first recommended it in 2015 when it was called Sovran Self Storage.

When I recommended it, I did so with an old George Carlin joke (one of my grandfather's favorite comedians). Here's the bit:

You got your stuff with you? Stuff is important. You gotta take care of your stuff. You gotta have a place for your

Everybody's got to have a place for their stuff. That's what life is all about, tryin' to find a place for your stuff! That's all your house is: a place to keep your stuff. If you didn't have so much stuff, you wouldn't need a house. You could just walk around all the time! So now you have a houseful of stuff. And, even though you may like your house, you gotta move. Gotta get a bigger house. Why? Too much stuff! And that means you gotta move all your stuff. Or maybe, put some of your stuff in storage.

Storage! Imagine that. There's a whole industry based on keepin' an eye on other peoples stuff.

-George Carlin



I think times are changing, and not just based on my current experiences. There is a massive move in the U.S. to get rid of all the stuff we don't need. There is even a whole *Netflix* series on the subject, called *Tidying Up with Marie Kondo*.

She's a Japanese "organizing consultant" and author of [*The Life-Changing Magic of Tidying Up: The Japanese Art of Decluttering and Organizing*](#).

Her philosophy – called the KonMari Method– is rather simple.

It consists of gathering together all of one's belongings, one category at a time, and then keeping only those things that "spark joy".

You can see her in action here:



The phenomenon is already showing signs of a longterm trend. Here in Maryland, Goodwill stores across Frederick and Carroll counties have seen a 42 percent increase in donations since the beginning of the year.

In Washington D.C., donations have skyrocketed. They were up 66 percent in the first week of January, with one donation center seeing a 367 percent increase compared to the same week the previous year.

People are shedding so much old clutter that thirft stores have started to turn the donations down.

Her message has been heard loud and clear, and it's a very bad sign for self-storage companies like Life Storage.

Anaysts have already read the writing on the wall (now that an old lamp and a pile of old t-shirts have been removed):

Supply pressures remain a key concern for **Life Storage Inc** (NYSE: [LSI](#)), and leading indicators point toward a deceleration in rents in the near term, according to Bank of America Merrill Lynch.

Analyst Jeffrey Spector downgraded [Life Storage](#) from Neutral to Underperform and lowered the price target from \$105 to \$99.

Revenues in high supply markets are expected to decline further due to three-year development lease-ups, Spector said in the Friday downgrade note.

Developers continue to target high returns and margins given their abundance of equity and debt capital, the analyst said. Due to this, supply continues to spread from primary to secondary markets, he said.

Life Storage has higher exposure to the secondary markets than its peers, Spector said, adding that this exposure poses a risk to the company's earnings visibility in 2019 and 2020.

While Life Storage expects supply to peak this year, the analyst said it could witness peak supply pressure in 2020, after which it could experience a reacceleration in revenues in 2021.

Let's start the closet clean up here, and dump this nostalgic stock for a solid gain of 17.45%, and never look back.

Now on a some stock I'm not ready to bail on, but have had some startling news for us to discuss.

Boeing (NYSE: BA)



Oh, Boeing ... what you giveth, you taketh away.

But in keeping with my lugubrious newsletter...

I remember the very day that I accepted my mortality. I was on an airplane headed to Arizona to visit my younger brother in college. Everything started out fine: I was calmly reading a book in my usual window seat and sipping a cup of complimentary black, putrid coffee. All was well...

Then lightning struck — literally.

It kept striking all around the plane and the pilot — bless his calming tone and sense of confidence — got on the fuzzy, muffled address system speakers and told us to return to our seats and buckle up.

“There’s going to be a bit of turbulence ahead...”

Turbulence is a lovely euphemism to use; see “water landing” or “air pocket.” What it really means is that the plane is going to be jerking up and down in a very terrifying manner for the foreseeable future.

This is what happened to me for long enough that I finally accepted the fact that I was going to die — hopefully not on that plane — but I decided I was no longer in control of my own life.

It was honestly a peaceful feeling.

After what seemed like an eternity of rocketing up and down and lightning striking every few moments, among passengers praying and worried flight attendants strapping themselves into their seats, we reached a pocket of calm, clear skies and the plane steadied.

All was well again...

The key in these situations is to stay calm. You do yourself and others no favors by flipping out and making a scene.

That is where we’re at — literally and figuratively — with one of the best-performing stocks in my lifetime: Boeing.

I fear stock market crashes. When writing about investing every week, the specter of a big crash scratches the back of your mind like a trapped rodent. One often wonders what it will take to bring stocks back to Earth... especially after a bull market that has lasted longer than almost every other one in history.

We've been riding too high for too long, and as a colleague once told me when I started covering the stock market, "Trees don't grow to the sky."

But, speaking of the sky, there is one crash I fear more: a plane crash.

Now, I'm not someone who has aviophobia. I fly a lot for work and pleasure, and I don't get the sweaty palms and panic attacks that many do when taking off in an airplane. I have friends that need high-octane medication before boarding a 5,000-ton tube of aluminum and steel and rocketing 35,000 feet into the heavens.

After what happened this month, I can't say I blame them...

Dennis Muilenburg, Chairman, President and CEO, just came out with a statement about the accident, and what they plan to do about it:

To airlines, passengers and the aviation community:

We know lives depend on the work we do, and our teams embrace that responsibility with a deep sense of commitment every day. Our purpose at Boeing is to bring family, friends and loved ones together with our commercial airplanes—safely. The tragic losses of Ethiopian Airlines Flight 302 and Lion Air Flight 610 affect us all, uniting people and nations in shared grief for all those in mourning. Our hearts are heavy, and we continue to extend our deepest sympathies to the loved ones of the passengers and crew on board.

Safety is at the core of who we are at Boeing, and ensuring safe and reliable travel on our airplanes is an enduring value and our absolute commitment to everyone. This overarching focus on safety spans and binds together our entire global aerospace industry and communities. We're united with our airline customers, international regulators and government authorities in our efforts to support the most recent investigation, understand the facts of what happened and help prevent future tragedies. Based on facts from the Lion Air Flight 610 accident and emerging data as it becomes available from the Ethiopian Airlines Flight 302 accident, we're taking actions to fully ensure the safety of the 737 MAX. We also understand and regret the challenges for our customers and the flying public caused by the fleet's grounding.

Work is progressing thoroughly and rapidly to learn more about the Ethiopian Airlines accident and understand the information from the airplane's cockpit voice and flight data recorders. Our team is on-site with investigators to support the investigation and provide technical expertise. The Ethiopia Accident Investigation Bureau will determine when and how it's appropriate to release additional details.

Boeing has been in the business of aviation safety for more than 100 years, and we'll continue providing the best products, training and support to our global airline customers and pilots. This is an ongoing and relentless commitment to make safe airplanes even safer. Soon we'll release a software update and related pilot training for the 737 MAX that will address concerns discovered in the aftermath of the Lion Air Flight 610 accident. We've been working in full cooperation with the U.S. Federal Aviation Administration, the Department of Transportation and the National Transportation Safety Board on all issues relating to both the Lion Air and the Ethiopian Airlines accidents since the Lion Air accident occurred in October last year.

Our entire team is devoted to the quality and safety of the aircraft we design, produce and support. I've dedicated my entire career to Boeing, working shoulder to shoulder with our amazing people and customers for more than three decades, and I personally share their deep sense of commitment. Recently, I spent time with our team members at our 737 production facility in Renton, Wash., and once again saw firsthand the pride our people feel in their work and the pain we're all experiencing in light of these tragedies. The importance of our work demands the utmost integrity and excellence—that's what I see in our team, and we'll never rest in pursuit of it.

Our mission is to connect people and nations, protect freedom, explore our world and the vastness of space, and inspire the next generation of aerospace dreamers and doers—and we'll fulfill that mission only by upholding and living our values. That's what safety means to us. Together, we'll keep working to earn and keep the trust people have placed in Boeing.

I rarely trust what I hear from CEOs after a massacre like this, but I do trust my colleague, Jason Simpkins, who laid it out pretty well in his *Wealth Warrior* issue:

I'm not ready to bail on the company — at the very least until all the facts are in.

And that's because Boeing is such a strong company, that I believe its long-term outlook remains bright even with this ugly cloud looming overhead.

The simple truth is, I don't see airlines throwing billions of dollars of pending business out the window based on this incident.

Or to put it in airplane parlance, I think we're in for turbulence, rather than a nosedive.

As I said, Boeing is the stronger half of a duopoly in the market. And it's been absolutely crushing it.

Boeing delivered 69 737 airplanes in December, alone, and set a new annual record of 806 deliveries in 2018. And it still has a backlog of 5,900 airplane orders, or about seven years of production, valued at \$412 billion.

On top of that, the company recently won three major military contracts, totaling more than \$18 billion combined, to build training jets, replacement helicopters, and drones that can refuel fighter jets in mid-air.

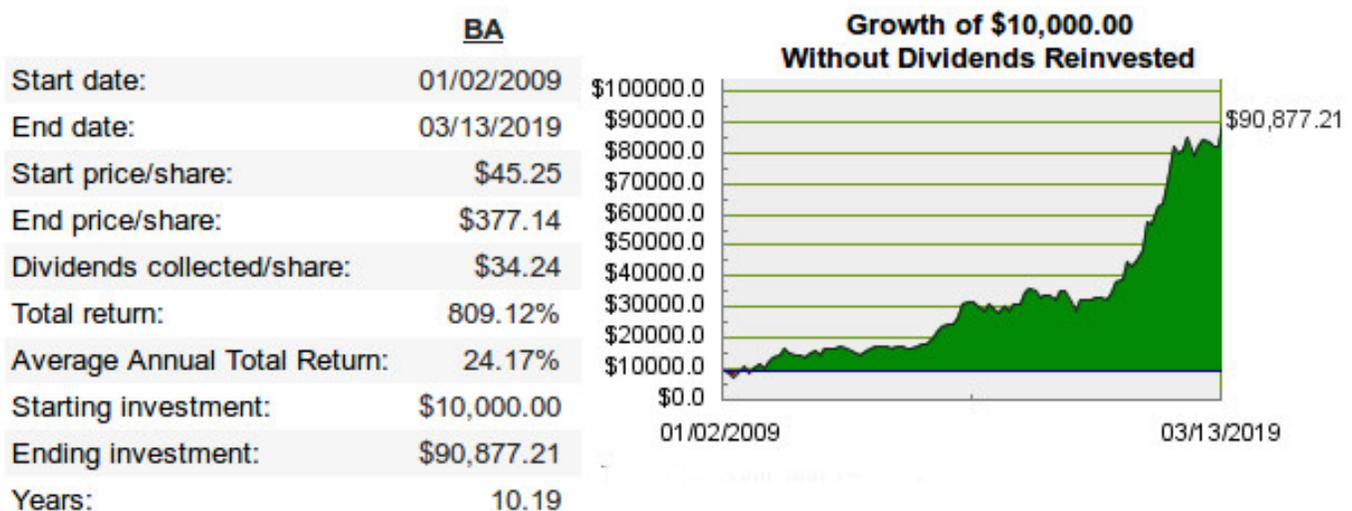
It's also building the next Air Force One, a spacecraft to ferry astronauts to the International Space Station, and a monster rocket that NASA says will one day take them to the moon.

For those reasons, I think Boeing will ultimately be fine, even if it does have a rocky 2019.

In fact, this could even turn out to be a compelling buying opportunity.

I completely agree. Boeing is simply too big to fail. We're up 230% on them despite the recent turbulence, and I expect we'll be riding back to highs in the next few years after the dust has settled on this horrific ordeal.

If you look at a long-term investment in Boeing, you'd be kicking yourself for not investing in it 10 years ago. Here's what you have missed out on:



That's an 809% gain — making a \$10,000 investment worth \$90,877 today. If you reinvested your dividends, you'd be looking at \$108,607.

While it may not appear that way right now, Boeing is a safe investment long term. There have been dips before, but they always come out ahead. If you're an aggressive investor, I wouldn't bat an eye at doubling down on my current position. If you're more cautious, at the very least, watch how things shake out and look to buy low.

Now let's move on to something more fun...cannabis.



While I have moved my smaller and more volatile positions into its own newsletter, The Marijuana Manifesto, I am still covering the space here – but more broadly.

You can read my [Cannabis Buy-Out report here](#).

Sproutly Canada, Inc. (CSE: SPR) (OTCQB: SRUTF)

Sproutly aims to be a vertically integrated cannabis consumer products company, bringing together pharma-grade cultivation, secured distribution solutions, and advanced technologies to redefine the cannabis industry.

They have made some serious developments, though I look at the company as a buyout target with much higher potential.

Here are their Third Quarter numbers:

- Cash position of \$11.5 million as at November 30, 2018, up from \$0.3 million as at August 31, 2018, as a result of completing a \$20.7 million bought deal financing in the quarter.
- The Company also reported working capital of \$4.2 million at November 30, 2018.
- The Company entered into a letter of intent with Global Canna Labs Limited, the Caribbean's largest medical cannabis producer, to establish a joint venture for the purpose of developing, producing, distributing, marketing and selling cannabis infused beverages, edibles and topical products derived from Sproutly's fully licensed APP Technology.
- The Company completed the development and formulation of an initial portfolio of functional beverages with its proprietary naturally water soluble cannabinoids ("InfuzzO").
- The beverages combine recently licensed rights for the proprietary water soluble mineral platform ("MiST Platform") with Infuzzo. The initial portfolio consists of three separate cannabis/hemp infused beverages that provide the following functions: a) Focused Energy; b) Stress relief and Relaxation; and, c) Restful sleep support.

I'm more excited about the new team the company is bringing on. They are all beverage industry experts, which is obviously the end goal here...

Their first hire was Constantine Constandis to the Advisory Board.

Constandis is global executive with over 34 years of experience in the wine and spirits industry in Canada, USA, Europe and Asia.

He was a former senior executive with Pernod Ricard SA (RI:EN Paris), the €37B publicly traded producer of wine and spirits who's global portfolio includes leading brands such as Absolute Vodka, Jameson, The Glenlivet, and Beefeater, among others; most recently serving as President of Pernod Ricard China and Pernod Ricard Asia Travel Retail.

Prior to Pernod Ricard, Constandis was the CEO of Corby Spirit and Wine Ltd (TSX: CSW.A, CSW.B) the TSX listed alcohol manufacturing and distribution company whose portfolio includes some of the most renowned brands in Canada, including J.P. Wiser's Canadian whiskies, Lamb's rum, Polar Ice vodka and McGuinness liqueurs.

Constandis also previously held senior roles at Seagram Company Ltd., including CFO, Europe & Africa.

They also hired Bryan Semkuley to the senior leadership team as President of Sproutly to accelerate the Company's strategic objectives of becoming a leading cannabis formulations company focused on beverages.

Semkuley is a seasoned executive with over 30+ years leading global innovation and marketing teams for Fortune 200 companies including Kimberly-Clark (NYSE:KMB), Anheuser-Busch InBev (NYSE:BUD), and Labatt.

Semkuley will focus on the execution of the Company's strategic objectives, development of its operational plan, and will work diligently to tie in the different vertical divisions of sales, marketing, product innovation, operations, and branding.

The company also hired Melise Panetta to the senior leadership team as Vice President of Sales and Marketing to focus on the Company's branding, marketing and sales objectives of becoming a leading cannabis formulations company focused on beverages.

Melise Panetta most recently led the sales strategy as Director of Sales for SC Johnson, a privately held global consumer packaged goods company, responsible for delivering profitable category and brand growth for 200+ customers across multiple classes of trade including Sobeys, Save on Foods, London Drugs, and Federated Co-op among others.

Prior to her role as Director of Sales, Melise was Head of Marketing with responsibilities including realigning their investment strategy behind brands, establishing their strategic net revenue framework, and delivering strong market share gains.

Previous to SC Johnson, Melise held roles of increasing responsibility at PEPSICO, Inc. (NASDAQ: PEP) for 8 years, and most recently as Senior Marketing Manager, Corporate Initiatives.

These are great additions as Sproutly seeks to join the big boys in the cannabis beverage industry.

We're buying under C\$0.55

[Aleafia Health Inc.](#) (TSX-V: ALEF) (OTCQX: ALEAF)

The TSX Venture exchange has become a popular place for cannabis companies to list their shares, particularly after Canada legalized recreational cannabis last year, but 2019 was the first year that a cannabis company topped its annual performance rankings.

That company was Aleafia.

[Aleafia Health Inc.](#) (TSX-V: ALEF) (OTCQX: ALEAF), a vertically-integrated licensed producer with a clinic network and over 50,000 patients, [was named](#) as the 2019 TSX Venture 50 top performing company of the year. The TMX Group's annual performance awards are based on three equally weight criteria, including market capitalization growth, share price appreciation and trading volume.

The award demonstrates the company's increasing popularity in the space. Over the past 52 weeks, the company's stock price rose from a low of \$0.47 to a high of \$4.70 before settling at its current levels of around \$2.37, making it a popular stock for active traders interested in the cannabis industry. As such, daily trading volume averaged roughly 1.42 million shares over the past three months, providing significant liquidity for investors.

The Company's common shares have commenced trading today on the Toronto Stock Exchange.

If you had invested in Emblem, which was bought out, here are the details:

All previously listed common share purchase warrants of Emblem Corp. (“**Emblem**”) remain listed on the TSX Venture Exchange (“**TSXV**”) under their existing trading symbols and are now exercisable each at the original exercise price into 0.8377 of a common share of Aleafia Health. The three classes of Emblem warrants that remain posted for trading on the TSXV are as follows:

- “EMC.WT” – exercisable at a price of \$1.75 with an expiry date of December 6, 2019 issued pursuant to a warrant indenture between Emblem and Computershare Trust Company of Canada (“**Computershare**”) dated December 6, 2016 (the “**2019 Warrant Indenture**”);
- “EMC.WT.A” – exercisable at a price of \$2.15 with an expiry date of November 16, 2020 issued pursuant to a warrant indenture between Emblem and Computershare dated November 16, 2017 (the “**November 2020 Warrant Indenture**”); and
- “EMC.WT.B” – exercisable at a price of \$2.70 with an expiry date of February 2, 2020 issued pursuant to a warrant indenture between Emblem and Computershare dated February 2, 2018 (the “**February 2020 Warrant Indenture**”);

We’re still buying. These guys are on the right track.

Compass Diversified Holdings (NYSE: CODI)

We’ve held Compass Diversified Holdings since 2016. You can read my initial recommendation [here](#).

They are a very unique company...

Compass Diversified Holdings is a private equity firm specializing in acquisitions, buyouts, and middle market investments. It seeks to invest in manufacturing, distribution, consumer products, and business services sectors.

One thing I like about Compass is its strict definitions of its acquisition strategy. It has a six-step process of identifying companies to acquire that reads simply but has led to astounding success.

Here’s how Compass decides what companies to scoop up:

Acquisition Criteria

An ideal acquisition candidate for Compass Diversified Holdings has the following characteristics:

- Is an established, U.S.-based company
- Maintains a significant market share in a defensible industry niche (i.e., has a “reason to exist”)
- Has a solid and proven management team with meaningful incentives • Has low technological and/or product obsolescence risk
- Maintains a diversified customer and supplier base
- Generates minimum EBITDA of \$8 million

That seems like a quality approach to me — and it has been working since it started in 2006. This has allowed Compass to acquire a series of companies that fit into niches that may go unnoticed by other acquisition companies. They include companies that produce items like circuit boards, gun safes, babywearing products, and high-end magnets.

Oh, and for today’s purposes - HEMP.

All told, Compass owns and manages nine very diversified subsidiaries, which have continued to produce growing cash flow — which it has doled out to investors via a very robust dividend. It currently yields over 9% on its dividend.

I’ll take that any day of the week...

But one of the reasons I initially invested was the fact that they had a hemp and cannabis operation in their umbrella. I found it to be forward thinking at the time.

Here’s what I wrote then:

Manitoba Harvest is a pioneer and global leader in branded, hemp-based foods. The company’s products are the fastest growing in the hemp food market and among the fastest growing in the natural foods industry. Manitoba Harvest’s award-winning products are currently carried in about 7,000 retail stores across the U.S. and Canada.

It is also the world's largest hemp food manufacturer to grow, make, and sell its own line of hemp foods. As someone who has closely followed the marijuana investing world, I am somewhat familiar with hemp-based foods.

Let me clear up something really quickly: Hemp foods are not the same as eating marijuana. You will not get high. In fact, you could call hemp seed a superfood, as it is rich in unsaturated fatty acids. Hemp seeds are also a rich source of the dietary minerals magnesium, zinc, and iron and a good source of dietary fiber. In our world of health nuts, I think hemp will start becoming more and more popular as part of the Whole Foods generation. Hemp foods have a slightly nutty taste that is similar to a sunflower seed or a pine nut.

Here are a couple of interesting tidbits about hemp:

- Hemp is one of the earliest domesticated plants known, and it has been cultivated by many civilizations for over 12,000 years.
- The Puritans are first known to have cultivated hemp in New England in 1645.
- George Washington pushed for the growth of hemp and even grew hemp himself, as it was a cash crop commonly used to make rope and fabric.
- Additional presidents known to have farmed hemp include Thomas Jefferson, James Madison, James Monroe, Andrew Jackson, Zachary Taylor, and Franklin Pierce.

Obviously, that has proven prophetic. You can read more from me about that [here](#).

Anyway, our bet has paid off...we're up 46% on CODI, and I expect them to continue to find niche markets to sell off at just the right time. Hence the new deal...

They just sold off Manitoba Harvest to **Tilray (NASDAQ: TLRY)** – one of the largest marijuana companies in the world, and the first to IPO in the U.S.

(GLOBE NEWSWIRE) -- (NYSE: CODI) (“CODI” or the “Company”), an owner of leading middle market businesses, announced today that it has entered into a definitive agreement (the “Agreement”) to sell its majority owned subsidiary, (“Manitoba Harvest”), to (“Tilray”) (NASDAQ: TLRY), a global leader in cannabis research, cultivation, production, and distribution. Under the terms of the Agreement, Manitoba Harvest will be sold to for an aggregate sales price of up to .

The Company expects to realize a sizable gain on the sale and intends to use the net proceeds to repay outstanding debt under the Company's revolving credit facility.

Commenting on the transaction, Elias Sabo, CEO of , stated, “We acquired a majority interest in Manitoba Harvest over three years ago and are proud to have partnered with the company to raise awareness of Hemp as a super food, growing the customer base across , more than doubling household penetration in the U.S., and driving category expansion. I want to thank Bill Chiasson and the company’s exceptional management team and wish them continued success. I am thrilled that they will be partnering with a recognized global category leader in , where they will have an unparalleled opportunity in a rapidly expanding market.”

Bill Chiasson, CEO of Manitoba Harvest, added, “With CODI’s support, guidance, and patient investment style, Manitoba Harvest has solidified its position as the world’s largest vertically integrated hemp food brand. CODI’s ability and willingness to make substantial investments into consumer marketing for our leading brands has resulted in a greatly expanded consumer appreciation of hemp-based food products, accelerating sales growth, and a ubiquitous market presence in highly desirable retail locations. I would like to thank CODI for all that they have done to bring Manitoba Harvest to the transformative market opportunity that we are realizing today.”

Mr. Sabo concluded, “Manitoba Harvest highlights CODI’s proven model of identifying and acquiring niche leading businesses, utilizing our significant liquidity and permanent capital to execute value-added initiatives to strengthen our subsidiaries, and opportunistically divesting our businesses to enhance value creation for our shareholders. With this transaction, we will significantly increase our total realized gains and we intend to deploy the net proceeds towards repaying our revolving credit facility.”

Under the terms of the Agreement, shareholders of Manitoba Harvest, including CODI, will receive up to , of which is payable at closing, comprised of in cash and in Tilray Shares. Six months after closing, Manitoba Harvest shareholders, including CODI, will receive , comprised of in cash and in Tilray Shares.

Manitoba Harvest shareholders, including CODI, will receive an additional in Tilray Shares upon Manitoba Harvest achieving certain performance milestones in 2019, such amount to be reduced to the extent that some or all of the milestones are not achieved. The transaction will be subject to normal post-closing adjustments.

The transaction is expected to close within the next 30 days.

We’re still buying **Compass Diversified Holdings (NYSE: CODI)** for the 9% dividend alone. If the stock goes up, great. If not, 9% is more than enough of a return.

They are still quite unknown: the market cap is just \$972 million and the average volume is 264,000. The 52-week is \$11.60-18.35.

I wouldn’t pay more than \$18.00.



Tying Down the Mast

For better or worse, the only certainty in life is that none of us know when it's going to end.

And if your final wishes aren't explicitly spelled out when you shuffle off this mortal coil, it could spell disaster for your family and friends when they try to sort through what you've left behind.

When you've spent a lifetime building your assets, it's only natural that you'd want to see them doled out exactly the way you want.

The last thing you want to do is leave your family scrambling — or worse, feuding — about who deserves what and why.

But that's exactly what could happen to nearly half of American adults today.

According to a recent survey, only 35% of Americans have a will that specifically divides their assets up. That number jumps to 48% when those polled were asked if they had a financial power in place if they were to become incapacitated.

If you are one of these individuals, don't feel too bad. You're actually in pretty good company...

Did you know that Abraham Lincoln (a lawyer, mind you) died without any kind of will or trust? Same goes for Pablo Picasso, Jimi Hendrix, and Sonny Bono, who all died intestate. These folks were quite wealthy when they passed on, and their fortunes took an incredibly long time to unpack and distribute.

The primary fear cited by those without a will or trust is that legal costs are prohibitive.

But this fear is not nearly as scary as the alternative — which is turning all of your assets over to the state. The state would then decide how best to allocate your personal property, a lengthy and tedious process that's likely to turn into a nightmare scenario — for a number of reasons...

Your assets could be tied up in probate for months, even years, and the process can devour up to 7% of your fortune.

A financial trust attorney I spoke with recalled one particularly frustrating scenario in which a widow passed away without anyone named in her will. Since she had neither children nor parents, the attorneys attempted to find her next of kin... without success.

In the state of Maryland (where this incident took place), if no person exists to claim an inheritance, the assets are given to the local board of education. This widow's assets were dished out to the local school board, and the issue seemed settled. But a problem arose when the woman's out-of-state cousins came forward a few months later to claim their rightful inheritance.

Meanwhile, as this long and complicated debacle was playing out, the attorneys' fees kept growing, wiping out a significant chunk of estate.

Another risk is that your assets may be divided in a way that you did not intend or wish. If you don't have a legal plan in place, the state will divide your assets up based on the immediate family. While laws vary from state to state, you can expect your assets to be divided equally among your spouse and children (or your parents, should you pass before them).

So let's say you have a son and a daughter. The son has three children and is living paycheck to paycheck, while your daughter is single and financially secure... If given the choice, you might have opted to bequeath more to your son to help send your grandchildren to college or pay off his mortgage.

If you are unmarried without children, the situation can get even dicier, the worst-case scenario being your fortune ends up going to an estranged family member.

The estate attorney I spoke with recalled another incident in which a man passed away intestate, so the state allocated half of his assets to his wife and the other half to his parents.

Since a home is often the most valuable asset one owns, this creates an obvious problem. His wife ended up having to sell the home they had shared in order to provide her in-laws with their appropriate share of her deceased husband's estate. You can imagine the heartache and anger that would cause during an already sad time...

These types of horror stories can be easily avoided by setting up a financial trust — or, at the very least, setting up a clearly defined will.

There are clear differences between the two. So even if you already have a will, you may want to set up a financial trust to avoid some postmortem headaches for your heirs.

Now the main question: Should you choose to write a simple will, or should you take the next step and set up a financial trust?

Trusts

When you hear *financial* trust, your first thought may be of some elderly tycoon behind a giant mahogany desk, chomping an expensive cigar as he parses out his railroad empire and divides up his vast real estate holdings.

However, financial trusts are not just for the super-wealthy.

In fact, if you meet the following requirements, you can securely allocate your assets with lower taxes, more protection, and avoid the hassle of probate court.

According to Mike Janko, executive director of the National Association of Financial and Estate Planning you may want to seek a trust if you meet one of the [following requirements](#):

- You have a net worth of \$100,000
- Your assets are weighted toward real estate or a business
- You have a disabled heir that you do not want to be disqualified from government disability assistance

Benefits:

- Assets are handed over immediately in case of death, and your heirs or window(er) avoids probate court, which can drag on for months or years.
- Reduction of estates taxes, or the dreaded “death tax”

- Unlike with wills, your estate will not be a matter of public record. (Note: If you value your privacy and don't want all of your dirty laundry aired in a court after you are gone, then you should look into setting up a financial trust.)
- You can set conditions on your assets, such as setting aside a sum only to be used on education. You can also choose to stagger payments so your beneficiaries do not get receive an inheritance in one lump sum.
- If you have underage children who cannot yet manage money, you can name a guardian to disperse their inheritance once they come of age.

Setting up a living trust with an estate attorney can run you at least \$1,500. But considering the tax advantages and flexibility with how you can bequeath your assets, it is a small price to pay. Plus, can you put a price on sparing your family the burden of taking care of your business for you?

We understand this is not the most optimistic topic. But a scarier thought is not talking about it at all, leaving your loved ones to muddle through the legality and complexity of your estate when they are already grieving your loss.

Do yourself and your family a favor and secure your final wishes in a legal document. You can do this quickly and cheaply by creating a will for around \$200.

But if you are serious about where you want your money to go — and you meet any of the above criteria — you should really think about opening a financial trust.

At the very least, you'll sleep better knowing that your family and friends won't have to pick up the pieces.

Pirate Cooking



In the spirit of this issue, I wanted to share with you the last soup I shared with my grandmother. She was the one who taught me to save all of the chicken bones after a big meal, and showed me how to make broth out of all of those almost spoiled vegetables in your refrigerator.

In a weird twist of fate, this is the same soup that I made for my wife right before she gave birth to my son. We call it baby soup.

The circle of life continues...

Anyway, the fact remains that it is simply a damn good soup.

Now that the last few cold breaths of winter are hitting us here in the North East, now it the best time to make yourself a soul-warming leek-and-potato soup.

Here's the recipe:

Baby Soup

Ingredients

- 2 pounds of Yukon Gold potatoes (or red potatoes, or any potatoes you have on hand)
- 2 leeks, chopped (only the nice white and light green parts)
- 4 bulbs garlic, roasted
- 4 tablespoons butter
- 1 small onion, chopped
- Green onions, chopped
- Half pound of bacon
- 2 bay leaves
- 8 cups chicken broth
- Shredded Dubliner Cheese (or cheddar of your choice)
- Salt and pepper to taste
- Pinch of paprika
- 1 cup heavy cream
- Tablespoon of olive oil

Directions

- Heat your oven to 450 degrees. Chop the top and bottom from your garlic bulbs and cover them in olive oil. Wrap them in tin foil and bake them for 30 minutes. You'll be glad you did later on...
- Chop the bacon into small pieces. In a large soup pot, bring the olive oil to a simmer. Drop the bacon in. Cook for five minutes, or until the bacon is well cooked. Remove the bacon from the pot and set aside.
- Add your butter, leaks, onion and potatoes to the pot (bacon fat still intact) on low heat. Cook them for 10 minutes, stirring constantly.
- Add the broth and bay leaves and simmer for around 20 minutes at low temperature. Sprinkle with salt and pepper (and a pinch of paprika).
- When the potatoes are soft, remove the bay leaves. If you have an immersion blender (which I HIGHLY recommend, purée the soup in the pot. If you don't, transfer to a blender or food processor and let them do it.)
- Add the heavy cream and let simmer on low. Taste it and add either salt or pepper based on your preference. I personally like a thicker soup, but if it's too thick for you just add more broth.

Now all you have to do is ladle it out and top it with the chopped green onions and bacon. Serve with some crusty bread – I typically use sourdough or a baguette.



I hope you enjoy it as much as my grandmother and wife have.

Thanks for bearing with me as I navigate the wild and mysterious world we live in. I appreciate that you allow me to share it with you.

Next month I'll have more closed positions which will be a door to many more new positions.

Until then, hug your family and let them know how much they mean to you while they're here.

I'll leave you with one of my grandmother's favorite songs – and one that I will play at her memorial.



Godspeed,

A handwritten signature in black ink, appearing to read 'J Mengel'.

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



The CROW'S NEST

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