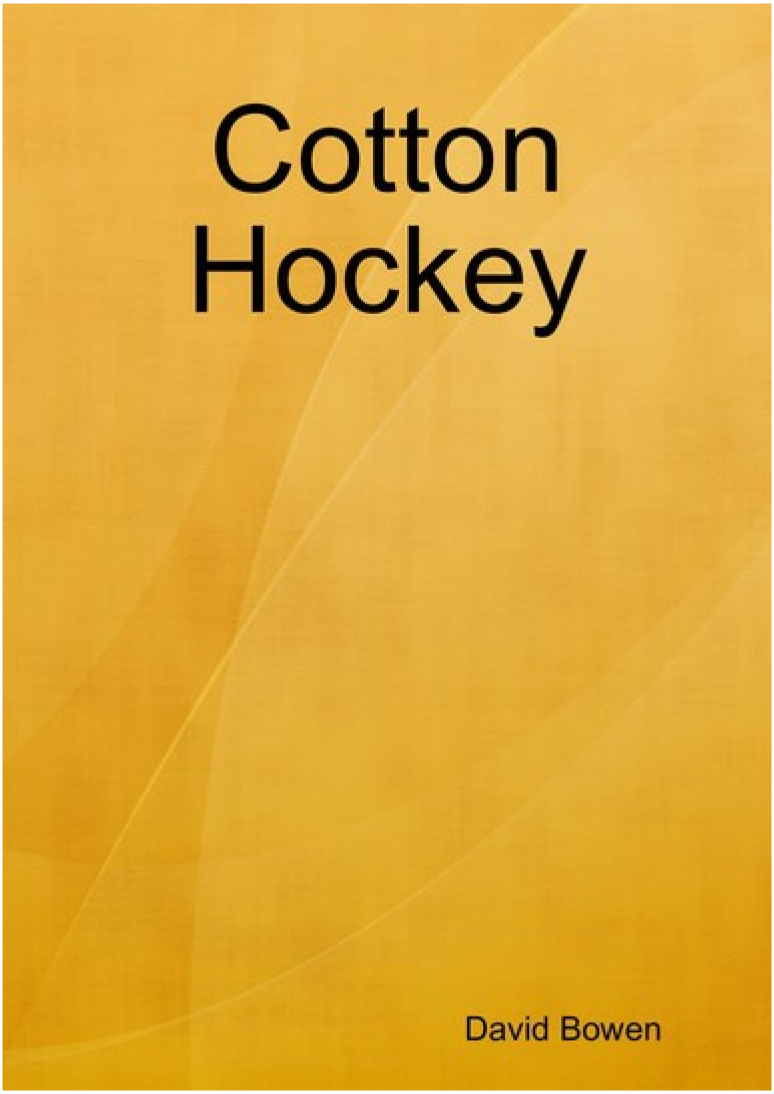

The following are the first few pages of “Cotton Hockey”

PREFACE

Kahtainhake: in the Munsi language of the Lenni Lanape who were the original Native American inhabitants of Manhattan Island, it means to fuck over.

Chapter 1: May 2016

Call me Rufus Exiguous Sarsaparilla. I live in Kingwood, Texas. It's May 2016 and all is about to go to shit. They will blame it on Hedge Funds, but it's the CEOs and boards of directors who are to blame. They bet the farm and lost and it's the peasants who are going to have to pay to clean it up.

Capitalism is an economic system based on private ownership of the means of production and the creation of goods and services for profit. Central characteristics of capitalism include private property, capital accumulation, wage labor and competitive markets. Simply it is a system where greed is exploited to its fullest potential.

Born from the Feudal System, Capitalism is the remnant of a time when kings fought each other for land dominance and instituted knights to oversee those conquered lands. Capitalism ensured the peasants they employed upon the land knights managed, produced and paid taxes to the king.

Capitalism competed with Communism where means of production is owned by the state and competed with Socialism where means of production is democratically distributed among those who use the means of production for the greatest good, yield or purpose.

For example, a man has millions of dollars and decides to collect Stradivarius violins. Capitalism would allow him to remove them from circulation and place them locked away from others to enjoy their sound. Communism would take away the collection and lock it up within a state vault. While Socialism would take away the collection from the man and allow the brightest students of music to play the violins for public music consumption. In this case, Capitalism would allow the man to steal the beautiful sound the violins make away from the rest of the world. The case is correct to apply the term “stealing” sound away because no amount of money can truly be assessed to the price of the music a Stradivarius violin produces. But Capitalism allows and encourages the greed of a man to take away from society all that he desires.

High CEO salaries are often explained by using marginal productivity theory, according to which competition in the CEO market drives the prices for those positions to stratospheric levels. In this manner, CEO salaries are the deserved share of production in a voluntary exchange market system and are therefore acceptable. But, it could be that high CEO salaries are the consequence of an exploitative process, in which CEOs are rewarded in the competitive market because they have effectively increased their companies’ shares of wealth by means of involuntary transfers from employees, taxpayers or consumers.

Marginal Productivity Theory states that wages are paid at a level equal to the marginal revenue product of labor which is the increment to revenues caused by the increment to output produced by the last laborer employed. So no firm will employ additional labor whose cost would exceed the revenue generated for the firm. CEOs are pricey. Their presence costs thirty percent of a company's profits but range in cost from twenty percent to over sixty percent.

Apple makes $50 billion annually available to common shareholders (profit after taxes) on $235 billion in annual revenues. In 2014, CEO Tim Cook took $9.2 million in salary and 875,000 performance shares of Apple stock. The cost to Apple shareholders for the shares of stock given to Tim Cook was $295 million. The cost to fund the executive staff supporting Tim Cook was 120 million shares or a cost of $17 billion. Therefore the cost for the executive team in 2014 was 36% of profit.

Stock buybacks is how stock options are made and distributed. It takes millions of shares to appease executives. Millions of shares cost billions of dollars to acquire and place into the treasury account from which stock options are doled out. It is the greed of the executives demanding stock options that causes ever larger stock buyback announcements and the shareholders do nothing about it. Shareholders own the cash which is used to buyback shares and allow billions of dollars to be expensed by the boards of directors.

Chapter 2: May 19, 2016

On May 19, 2016, at 4:35 PM <res@hitme.com> wrote:

Darrel,

Is there any kind of research you would like performed to prove or disprove any financial questions you may have for 2016? Please let me know what I may be able to provide for you.

Respectfully,

RES

Darrel Ennis <DEnnis@YieldCapital.com>

Date: Thurs, May 19, 2016 5:48 pm

“Rufus, Can you remind me if there is a context for this?

de”

Chapter 3: State of the US Economy [2009 – 2016]

Since February 1, 2009 and the last crash of the stock market in the United States where the Dow Jones Industrial Average sank to $7,033.62 per collective share, the US Stock Market has ballooned to $18,244.38 as of February 1, 2015 per collective share. Why did it climb so high? Profits is what is believed to be the reason for the value increase. It is the net present value of the future profit stream that determines the value of stocks. On February 1, 2009 the thirty stocks comprising the Dow Jones Industrial Average were collectively determined to have an expected future profit stream similar to that of those same companies around September 30, 1997; July 31, 1998; and August 3, 2002. It was believed by the traders on February 1, 2009 of the 30 stocks comprising the DOW that earnings or profits of these companies were being rolled back twenty years.

Three epic traders cleaned up well in 2009; Ray Dalio, John Paulson and David Einhorn. Their shorting the market netted them billions of dollars in profits. Ray Dalio shorted banks, John Paulson traded credit default swaps and David Einhorn shorted Allied Capital and Lehman Brothers. Each of them cleared about $4 billion on their short bets on the market. It's what gave each of them the seed money to excel within their respective hedge fund.

Profit is the difference between the amount earned and the amount spent in buying or making something. Between 2009 and 2015 that difference between

buying or making something was irrationally expected to widen over time when in fact it will narrow constantly over time. If you have an advantage, competition shows up to party with you. A contest ensues and one company or group achieves the prize. It is not always profit that is maximized through competition. Sometimes it is just status. Take Sears and Dollar General. Back in the day (March 2007) Sears traded for $180.00 per share and they made an obscene amount of profit even with K-Mart in their portfolio. Then in 2010 along came the closeout retailers like Dollar General, Big Lots and Dollar Stores. In 2010 Dollar General and Sears traded for nearly the same $22.00 per share price.

But in 2016 Dollar General trades for $70.00 per share and Sears trades for $15.00 per share. Sears has 30% more sales in a year than Dollar General, yet Dollar General actually makes some profit while Sears does not.

It was a great party in 2007, Sears was on the top of their game. But the competition from closeout retailers

killed the profit machine for all the retailers. And now the new normal profit in retail has an expectation of future profit streams more tame and lower in percentages than the past would have allowed to believe.

Look at Wal-Mart, their profit stream is trickling and so is the outlook on their stock price. Long-term even Wal-Mart can fail to exist given the many deep discount retailers on the rise.

Chapter 4:

A typical financial advisor used to be called a stock broker, a regulated professional individual, usually associated with a brokerage firm, who buys and sells stocks and other securities for both retail and institutional clients, through a stock exchange, in return for a fee or commission. They are known by many different professional names, depending on the license they hold, the type of securities they sell, or the services they provide. In the United States, a financial advisor must pass both the Series 7 and either the Series 63 or the Series 66 exams in order to be properly licensed.

If you want to invest money, generally a person contacts a financial advisor and they advise the person how to diversify properly and spread risk out among various assets and financial instruments, all with low risk assumptions so as not to advocate risky investments.

A financial advisor can be bypassed through an on-line trading platform, a computer software program that can be used to place orders for financial products over a network with a financial intermediary. This includes products such as stocks, bonds, currencies, commodities and derivatives. They typically stream live market prices on which users can trade and may provide additional trading tools, such as charting packages, news feeds and account management functions. Some platforms have been specifically designed to allow individuals to gain access to financial markets that could formerly only be accessed by specialist trading firms such as those allowing margin trading on forex and derivatives such as contract for difference. They may also be designed to automatically trade specific strategies based on technical analysis or to do high-frequency trading. Some electronic trading platforms have built in scripting tools allowing traders to develop automatic or algorithmic trading systems and robots.

If you have enough money to invest, over a million or more dollars in one lump sum, and you desire greater returns than a financial advisor promises (7% on average) and more than you are able to accomplish on your own through an online trading portal (8% to 12% typically), then a hedge fund may be for you.

A hedge fund is a limited partnership of investors that uses high risk methods, such as investing with borrowed money, in hopes of realizing large capital gains. They were started in the 1940's and over ten thousand hedge funds are in operation as of 2015. They operate with little to no regulation from the U.S. Securities and Exchange Commission (SEC). They enter into transactions to substantially reduce or eliminate risk of their stock positions through short sales, swaps, forwards and derivatives.

401-Ks, mutual funds, pensions, retirement accounts and fund management = $18 trillion in US and of that

Hedge Fund management = $4 trillion and of that Activist Hedge Funds = $1.2 trillion but that was in 2015, in 2016 it's anybody's guess. What is the value of air? Is it worth more or less than what you have in your pocket?

If you want to follow a hedge fund's buying and selling activities within US government documentation there are three ways to do it: (1) Form PF if the hedge fund has over $150 million in capitalization they must file the Private Fund form; (2) Schedule 13D filing proves 5% or more ownership position in a targeted stock; and (3) Section 1259 of the US Internal Revenue Code shows taxable events where hedge fund managers sold its stock position either by trading in a derivative or short selling the actual stock instrument.

If you want to profit from the power of a hedge fund but don't have much money to be invited to the table of a prominent hedge fund, here is how you can play too.

These hedge funds trade on Wall Street and are very affordable and can still pay off in tremendous ways:

Hedge Fund Name	Symbol	2016Price/share
HC2	HCHC	$3.50
Fortress	FIG	$4.00
Carlyle Group	CG	$12.00
KKR	KKR	$12.00
Blackstone	BX	$25.00

The range of prices for these particular hedge funds are as follows:

Hedge Fund Name	Price range over 52 weeks
HC2	\$3.00 to \$13.00
Fortress	\$3.00 to \$8.00
Carlyle Group	\$11.00 to \$32.00
KKR	\$8.00 to \$25.00
Blackstone	\$22.00 to \$44.00

Buy low and sell high. Hedge Funds performance thrives in tumultuous times. If the stock market is projected to go down, Hedge Funds tend to make a lot of money. Just an FYI.

I hope you did enjoy reading the first few pages of "Cotton Hockey" by David Bowen. Please note all books can be located for sampling and purchase at:

https://ereadery.com/lulu/index.html