From: pearl hewett[redacted]
Sent: Tuesday, July 03, 2012 5:59 PM
To: Wessel, Ann (ECY); [redacted]
Subject: This is my comment on the Dungeness Water Rule

This is my comment on the Dungeness Water Rule

What we all can look forward to?
THE BRAND NEW, STATE controlled "DOE depravation of Water to the PUBLIC Dept."
Appointed DOE takes all of our water, including private and municipal water districts.
Appointed DOE restricts our private water right usage.
They have a new Appointed DOE agency, financed by charging us with inflated fees to meet DOE'S cost to run their NEW depravation to the PUBLIC Water Dept.
Who will theAppointed DOE sell our WATER to? the highest bidder? California? Japan?
Who will reap the profits? The Appointed DOE.
What will Appointed DOE use the profits for? To expand the Appointed DOE.
Is there any benefit to the residents/taxpayers/ citizens? NO.

Physical DOE Commodity Trading

Why do commodity houses exist? They exist for the same reason that hedge funds exist--they provide increased liquidity and someone decided to start trading commodities with their own money that eventually became a large operation. They also invest in and build storage capacity which they use in their operations or can rent out. At the end of the day, they exist for the reason that any corporation exists....because they can make money.

WHAT IF THERE WAS AN INITIAL PUBLIC OFFERING (IPO) OF PUBLIC WATER?
An initial public offering (IPO) or stock market launch.

IF WASHINGTON STATE WATER WAS A STOCK MARKET COMMODITY?

Everything DOE is doing would be illegal.

What Does It Mean To Corner The Market?

When somebody tries to manipulate the market by **illegally hoarding a particular commodity**, it means that he is trying to 'corner the market'. In this process, the buyer tries to stockpile the maximum amount of that commodity available, **to create an artificial shortage and drive up the price before selling the commodity back into the market.**

Front running is **the illegal practice** of a stock broker executing orders on a security **for its own account while taking advantage of advance knowledge of pending orders from its customers. When orders previously submitted by its customers will predictably affect the price of the security, purchasing first for its own account gives the broker an unfair advantage, since it can expect to close out its position at a profit based on the new price level.**

By front-running, **the broker has put his or her own financial interest above (or in front of) the customer's interest and is thus committing fraud. In the U.S. he or she might also be breaking laws on market manipulation or insider trading.**

Price fixing

Physical Commodity Trading

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Is it **legal** to **"Corner the Market on water?"** by a US or state government agency?
Is "**Front running on water"** **legal** for a US or state government agency?

How does "**Cornering the market on water"** and "**Front running on water"** apply to the Dungeness Water Rule?

read on if you are interested

What Does It Mean To Corner The Market?

InvestorGuide University > Subject: Investing > Topic: Investing Basics > What Does It Mean To Corner The Market?
by InvestorGuide Contributor (Write for us!)
When somebody tries to manipulate the market by illegally hoarding a particular commodity, it means that he is trying to 'corner the market'. In this process, the buyer tries to stockpile the

maximum amount of that commodity available, to create an artificial shortage and drive up the price before selling the commodity back into the market.

The attempt by the buyer to corner the market depends a lot on his financial strength and knowledge about market trends. Apart from legal problems, he might also find himself in a mess if his intentions are exposed. He will then have other traders trying to oppose his move and make it difficult for him to sell back the commodity at the high price that he would have hoped to get. In some cases, other traders might actually benefit from the buyer’s mistake.

One of the early examples was the cornering of the silver market in the 1970’s where two brothers, William Herbert Hunt and Nelson Bunker tried to corner the silver market by buying silver in huge quantities. They managed to buy around 200 million ounces, which at that time was about half the world’s silver, before being check mated. They had managed to raise the price of silver from 2 dollars per ounce to 54 dollars per ounce. They were forced to sell the silver back into the market at a substantial loss in the 1980’s and eventually went bankrupt.

One more example of cornering was the conviction and 8 year sentence for Hamanaka, who tried to corner the Copper market in 1996, which resulted in the loss of 1.8 billion dollars to Sumitomo Corporation. Some large corporations have run into trouble with trying to corner the market. BP was ordered to pay a fine of over 300 million dollars in exchange for dropping the civil suit and criminal investigation against it for illegally trying to corner the U.S. Propane market in February 2004 and previously in April 2003. Unfortunately for BP, it got cornered by the CFTC and The Department of Justice.

Cornering the market is similar to buying stocks or shares of a particular corporation with the sole intent of raising the prices of those stocks artificially, before selling them off to make a huge profit. According to the U.S.Government Statute, no person can attempt to manipulate the price of any commodity or the commodity futures market. If the person is found guilty, he may be imprisoned or force to pay monetary damages. Cornering the market was widespread in the 1900’s when there were hardly any regulations in place, but now with the CFTC keeping a watchful eye it has become very difficult for traders to engage in such malpractices. Also, with the advent of computerization, it is very easy for traders and authorities alike to keep an eye on the prices of all commodities. The markets also have circuit breakers in place, i.e. if the price of any commodity fluctuates beyond set price parameters or if there is a high fluctuation in the price of any commodity as compared to the previous day’s price, then trading in that commodity is immediately suspended, till the cause of the fluctuation is found out. Even though cornering is illegal, there will always be someone trying to grab a major chunk of the commodities market with the hopes of increasing their return.

Physical Commodity Trading

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Front running

From Wikipedia, the free encyclopedia
Jump to: navigation, search
This article is about the financial practice. For the practice as applied to domain names, see domain name front running.

> This article includes a list of references, but **its sources remain unclear because it has insufficient inline citations**. Please help to improve this article by introducing more precise citations. *(February 2011)*

Front running is the illegal practice of a stock broker executing orders on a security for its own account while taking advantage of advance knowledge of pending orders from its customers. When orders previously submitted by its customers will predictably affect the price of the security, purchasing first for its own account gives the broker an unfair advantage, since it can expect to close out its position at a profit based on the new price level. The front running broker either buys for his own account (before filling customer buy orders that drive up the price), or sells (where the broker sells for its own account, before filling customer sell orders that drive down the price).

Allegations of front running occasionally arise in stock and commodity exchanges, in scandals concerning floor brokers and exchange specialists.

Pearl Rains Hewett
Freedom of speech in the United States is protected by the First Amendment to the United States Constitution

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Explanation

For example, suppose a broker receives an order from a customer to buy a large block of 400,000 shares of some stock, but before placing the order for the customer the broker buys 20,000 shares of the same stock for his own account at $100 per share, then afterward places the customer's order for 400,000 shares, driving the price up to $102 per share and allowing the broker to immediately sell his shares for, say, $101.75, generating a significant profit of $35,000 in just a short time. This $35,000 is likely to be just a part of the additional cost to the customer's purchase caused by the broker's self-dealing.

This example uses unusually large numbers to get the point across. In practice, computer trading splits up large orders into many smaller ones, making front-running more difficult to detect. Moreover, the U.S. Securities and Exchange Commission's 2001 change to pricing stock in pennies, rather than fractions of no less than 1/8 of a dollar, facilitated front running by reducing the extra amount that must be offered to step in front of other orders.

By front-running, the broker has put his or her own financial interest above (or in front of) the customer's interest and is thus committing fraud. In the U.S. he or she might also be breaking laws on market manipulation or insider trading.

Other uses of the term

Front-running may also occur in the context of insider trading, as when those close to the CEO of a firm act through short sales ahead of the announcement of a sale of stock by the CEO, which will in turn trigger a drop in the stock's price. Khan & Lu (2008: 1) define front running as "trading by some parties in advance of large trades by other parties, in anticipation of profiting from the price movement that follows the large trade". They find evidence consistent with front-running through short sales ahead of large stock sales by CEOs on the New York Stock Exchange.

While front-running is illegal when a broker uses private information about a client's pending order, in principle it is not illegal if it is based on public information. In his book *Trading & Exchanges*, Larry Harris outlines several other related types of trading. Though all these types of trading may not be strictly illegal, he terms them "parasitic".

A third-party trader may find out the content of another broker's order and buy or sell in front of it in the same way that a self-dealing broker might. The third-party trader might find out about the trade directly from the broker or an employee of the brokerage firm in return for splitting the profits, in which case the front-running would be illegal. The trader might, however, only find out about the order by reading the broker's habits or tics, much in the same way that poker players can guess other players' cards. For very large market orders, simply exposing the order to the market, may cause traders to front-run as they seek to close out positions that may soon become unprofitable.

Large limit orders can be "front-run" by "order matching" or "penny jumping". For example if a buy limit order for 100,000 shares for $1.00 is announced to the market, many traders may seek to buy for $1.01. If the market price increases after their purchases, they will get the full amount of the price increase. However, if the market price decreases, they will likely be able to sell to the limit order trader, for only a one cent loss. This type of trading is probably not illegal, and in any case, a law against it would be very difficult to enforce. Harris still considers it "parasitic".

Other types of traders who use generally similar strategies are labelled "order anticipators" by Harris. These include "sentiment-oriented technical traders," traders who buy during an asset bubble even though they know the asset is overpriced, and squeezers who drive up prices by threatening to corner the market. Squeezers would likely be guilty of market manipulation, but the other two types of order anticipators would not be violating any US law.

Hostile takeovers

A hostile takeover allows a suitor to take over a target company whose management is unwilling to agree to a merger or takeover. A takeover is considered "hostile" if the target company's board rejects the offer, but the bidder continues to pursue it, or the bidder makes the offer directly after having announced its firm intention to make an offer.

A hostile takeover can be conducted in several ways. A tender offer can be made where the acquiring company makes a public offer at a fixed price above the current market price. Tender offers in the United States are regulated by the Williams Act. An acquiring company can also engage in a proxy fight, whereby it tries to persuade enough shareholders, usually a simple majority, to replace the management with a new one which will approve the takeover. Another method involves quietly purchasing enough stock on the open market, known as a creeping tender offer, to effect a change in management. In all of these ways, management resists the acquisition but it is carried out anyway.

The main consequence of a bid being considered hostile is practical rather than legal. If the board of the target cooperates, the bidder can conduct extensive due diligence into the affairs of the target company, providing the bidder with a comprehensive analysis of the target company's finances. In contrast, a hostile bidder will only have more limited, publicly-available information about the target company available, rendering the bidder vulnerable to hidden risks regarding the target company's finances. An additional problem is that takeovers often require loans provided by banks in order to service the offer, but banks are often less willing to back a hostile bidder because of the relative lack of information about the target available to them.