INSIDER BUY SUPERSTOCKS

THE SUPER LAWS OF HOW I TURNED $46K INTO $6.8 MILLION (14,972%) IN 28 MONTHS

AND THE TRUE STORY OF HOW EXTRAORDINARY FAILURE AND DOING EVERYTHING DIFFERENTLY FUELED MY RECORD-SETTING INVESTMENT RETURNS

JESSE C. STINE
Insider Buy Superstocks

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TOP TWENTY-FIVE BOOK HIGHLIGHTS

Many of Which May Shock You!

1. My story: the steps I took to make several small fortunes.
2. How to spot elusive “Superstocks,” the stock market’s biggest winners.
3. Free online sources I use to help me discover future “Superstocks.”
4. Why you can’t follow Peter Lynch; how it pays NOT to buy what you know best or what makes you “feel good.”
5. Learn about the most potent “drug” ever developed that will absolutely destroy your investment returns.
6. The “Canary in a Coalmine” indicator I use that precedes market crashes within 6 days.
7. How high-level investment returns require you to go against everything you’ve ever been taught.
8. Discover that the market is more manipulated than you could ever imagine.
9. Why some stocks must be sold at $25.
10. Why you can never invest in an ETF or mutual fund ever again.
11. Learn how the “Magic Line” triggers gigantic stock thrusts.
12. How to dramatically increase your trading focus, creativity, and energy.
13. Why you should dump a majority of the methods you currently employ to research stocks.
15. Learn how to find Investor’s Business Daily 100 (“IBD 100”) stocks in the single digits—months before anyone else.
17. Why you must do everything in your power to never watch CNBC ever again... not even for a second.
18. Why only suckers “back out cash.”
19. Why you must learn to sell like Mark Cuban.
20. How to determine your Superstock’s lowest risk, highest reward entry price.
21. The charts, fundamentals, and stories behind my biggest winners.
22. How all insider-buying is not created equal.
23. Inevitable account drawdowns and how to cope with them.
24. How to spot manipulated bogus BS media groupthink and how to profit from it.
25. Honest lessons from my many failures.
ABOUT THE AUTHOR

From Oct 2003 to January 2006, the value of Jesse Stine’s self-managed individual stock portfolio appreciated 14,972% from $45,721 to $6,845,342. During this time frame, the S&P 500 returned 25%. Documentation is available at www.jessestine.com.

Today, Jesse Stine is founder and investment director for WORLD40.COM—a private global network of 40 high net worth investors utilizing a unique approach structured to significantly outperform worldwide benchmarks. Membership: $25,000.

For questions, comments, or to swap stories, feel free to contact Jesse at jesse@jessestine.com.

To be included in his “friends and family” market inflection points email (complimentary of course), contact jesse@jessestine.com or visit www.jessestine.com. Your email address is 100% confidential. It is not shared or sold.

ACKNOWLEDGMENTS

Nicole, Mom, Dad, Bill, Lenka, Donna, Ted, Tony, Inanna, Jen, and 2008. Each of you played an essential role in the “birth” of this book. A couple of you provided the inspiration. A couple of you played a hands-on role during the development process. And you all provided immense support along the way. I will forever be grateful for your contributions. Thank you.

A NOTE FROM THE EDITOR

When Jesse Stine asked me to edit his book, I jumped at the chance. I know of no other book that so nicely reflects my own trading philosophy—a philosophy that has seen my trading portfolio fall by as much as 50% (or even more) en route to achieving an embarrassingly-high 3000% return within as little as six months. In a nutshell, I know that it is perfectly possible to make a lot of money (relatively) from very little, but that you may need to prepare yourself for significant drawdowns along the way.

I read the initial manuscript for this book from three perspectives:
As a fellow trading author and editor of several books in this genre.

As a fellow financial trader with my own successes and failures to draw on.

As a member of the target audience, i.e. as someone who would likely have bought the book if he hadn’t been involved with the editing of it.

The approach is not without its risks, but all speculation is risky, and as I once wrote as the tag-line for one of my own books:

**WARNING!** This strategy could seriously damage your wealth... or make you rich!

I commend this book to readers, and I hope you enjoy it as much as I have.

*Tony Loton at trading.lotontech.com*
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This book is an account of how I broke the traditional rules of investing to achieve the unthinkable—what is believed to be a world record-setting personal portfolio return in the post-Dot-com bubble era. My style of trading “Superstocks” is for the rare breed; those who not only embrace calculated risk but also have the ability to stomach the consequences of occasional failure. This case study is meant for those who dream big and have a passion for the markets. It is not for the timid or faint of heart.

Constructed in pieces in several countries throughout the world, what is to follow truly is my life’s work. I tried to refine and include every ounce of actionable knowledge I’ve picked up over the years. It is the result of studying everything I could find about the characteristics of the market’s biggest winners throughout history.

The book is the culmination of some $2.5 Billion in personal stock sales and 30,000 hours of hand-to-hand combat in the market trenches. I want you to learn as much as you possibly can from my achievements. I want you to learn even more from my failures.

This is not a book devoted to portfolio management, diversification, bonds, currency, or abstract theory. All of the personal experiences described within these pages are true and almost every example was taken from my personal trading history.

My method is simple. There is nothing “Earth-shattering” about it; strike when you find a stock with the absolute best fundamentals in alignment with the very best technicals while trading at a distressed price. Like the claims of so many others before it, this book is certainly not a “Foolproof Lazy Man’s Guide to Riches.” If there were any “foolproof” methods, I assure you that everybody would be making millions in the stock market. Although my method is simple in its premise, a new investor must first master the fundamental investing laws presented in this book before the method can become “second nature.”

For this reason, it is my hope that you will treat this book more as a “textbook” to refer to from time to time rather than as your typical “weekend read.” Since the market is a rigged game, you must first understand and master the fundamental rules of the game before you can excel at a high level on the playing field.

There certainly are no guarantees in life, but with the proper tools, focus, and vision, it is indeed possible to make millions as an individual investor.
ASSUMPTIONS AND THINGS TO NOTE:

- I use the terms “investor” and “trader” interchangeably throughout the book. Although I am a longer-term investor at heart, my hybrid approach requires that I “invest” at low-risk weekly buy points and to “trade” out of positions when the risk/reward is no longer in my favor (My longest hold during my 28 month portfolio advance was 8 months).

- I assume that the reader has some experience in trading and investing. I assume that you know the basics of technical analysis (volume, breakouts, moving averages etc.) and that you will refer to the “Resources” section of this book if you would like to learn more about technical analysis.

- In the spirit of simplicity, for the “Cliffs Notes” on the Super Laws of Superstocks, please refer to chapter 11 which is titled “The Lazy Man’s Guide to Superstocks.” This may help you see the bigger picture before getting bogged down in the details.

- A vast majority of stocks fall during bear markets. Superstocks are no exception.

- Yes, I know “Super Stocks” should be two words. Like Superman, “Superstocks” are Superhuman, Supernatural, and Supercharged and thus deserve their own word.

- Most of the charts are courtesy of Stockcharts.com. In a few instances, the stock prices seen in the charts are different from other chart vendors and different from the actual prices I transacted during the period in question. The important thing to note is that any potential price discrepancies do not affect the chart pattern or technical conditions.

- Most importantly, I assume that you are highly motivated and have an incredible belief in what’s possible.
“It is literally true that millions come easier to a trader after he knows how to trade than hundreds did in the days of his ignorance.”

Investment legend Jesse Livermore

Hello. My name is Jesse Stine, and I want to express my gratitude to you for purchasing this book out of the thousands of others available. Although I may not know you personally, it means a great deal to me to connect with readers like you who take an interest in what I have to say.

Unlike a majority of the people I encounter, I hope you share my passion for financial markets and have an equally intense desire to do whatever it takes to achieve your financial dreams. In these pages, I return to the market after a three and a half year “trading retirement” and open up my playbook for the very first time. After reading this book you’ll know that “investing as usual” is dead.

Before we begin, I must confess that although I wake up every morning with a burning passion for the financial markets, I am definitely not a professional writer. My goal is to share my money-making secrets. The goal is not to win the Pulitzer Prize. I will do my best to provide you with a straightforward, accurate, and honest account of my experiences.

My goal for this book is for it to be 100% raw and uncut—a genuine, accurate, and brutally honest depiction of my victories as well as my extraordinary defeats. My hope is that this book will be seen as an outlier in the sea of investing books, many seemingly written by the same two or three ghostwriters.

WHY ME?

You might be asking yourself what sets this guy apart from everyone else in this field? I am a specialist who focuses on one single “bread and butter” approach, and my results indicate that I do it better than the biggest names in the business. Like a surgeon performing the same surgery for years on end, I find that it becomes easier and easier over time to identify the market’s biggest future winners. Unlike the “agenda-rich” snake-oil salesmen you see on financial television and in financial mass-media, I will give you the honest-to-goodness straight
scoop on how to beat the market by investing differently from just about everybody else.

Because investing is my one true passion, and my one core area of excellence, I channel every single ounce of energy I have into it. I am a liquidity prognosticator seeking outlier situations where price and fund flows are likely to increase over time. I search every corner of the market universe to exploit extreme information imbalances that often lead to explosive returns. Because of their scarcity, these unique situations only come about a few times per calendar quarter.

As you will see in “How to Spot Major Global Inflection Points” in the book’s Appendix, I am rarely swayed by mass-media induced public opinion at key market junctures. At these inflection points, I am buying when you are selling and selling when you are buying. By now, I am well aware that the big money is consistently made by going directly against popular opinion. About the only thing that truly sends shivers down my spine is the word “consensus”—especially as it relates to the contagious groupthink pervading the financial mass media.

I have a track record of consistently achieving unheard of 3, 4, and 5-digit returns in short periods of time. I have learned that in order to experience “socially acceptable” smooth returns over time, one must accept a dramatically lower level of portfolio performance. While others are taught to bunt, I am exclusively seeking home runs backed by well-defined risk.

Investing with swagger, my goal as the “trading cowboy” has never been to have smooth returns. In light of this, I have learned from my mentors that it is absolutely essential to develop immense confidence and (gasp) a cocky attitude when in the “trading zone.”

For good or bad, I have learned that you have to transform into a selfish, greedy, testosterone-filled, risk-taking gladiator to succeed against your foes. And yes, fellow investors are your foes. Their sole intent is to throw you in the gutter, kick you in the face, and leave you penniless and despondent. Outside of these pages and outside of the trading ring, I think you would find that I am quite different than the character I portray when the cameras are rolling.

As for “luck”—when you put thousands of hours into research and refining your method, you create your own luck. The funny thing is that in general the harder I work, the luckier I seem to get. Luck is all about identifying blockbuster patterns that repeat over and over again throughout history. Luck is all about following the Kelly Criterion (discussed later) and betting big when all of the variables align in your favor.

What about risk? Well, a rapidly growing company with a single-digit price-earnings ratio (PE) isn’t inherently risky; it’s simply a “bases loaded anomaly” begging to be knocked out of the park for a grand slam. What IS risky is investing in a big cap stock like Microsoft (MSFT) that has an equal likelihood of going up 15% or down 15% over any given timeframe. I focus intensely on calculated risks and highly skewed risk/reward scenarios. Surprisingly, I am such a big believer in “fat pitches” that not once in my entire life have I purchased a physical lottery ticket.

I get a big kick out of buying a stock that nobody else will touch with a 10 foot pole. When everybody else is worried to death about what can go wrong, my only focus is on what can go
Jesse C. Stine

right. There's nothing I like better than going against the herd. It is in these moments that fortunes are made. As you will see in the Appendix, I nailed some of the biggest inflection points in market history while everybody else was paralyzed by groupthink.

I often stay in cash and step away from the market for long periods when stocks aren’t acting right; but when conditions are ripe, I stalk stocks like a tiger stalking its prey. When I am in the market, I am a “Position Trader” holding my stocks for weeks or months— as long as they are going up. I began my career with the intention of holding my biggest winners for a year or more. I learned the hard way many times over that blockbuster stocks and long term capital gains are as compatible as fire and ice. Thus when technical conditions and sentiment hit frothy extremes, I sell at a moment’s notice.

There is no need to ever consider making my accountant feel all warm and fuzzy inside by achieving long term capital gains. When I’m risking precious capital, I’m in the market for one reason and one reason only: to achieve spectacular returns by exploiting irrational market behavior.

Out of the 15,000 stocks in the U.S., and some 63,000 stocks worldwide, my sole purpose is to discover the one or two biggest future winners that have the ultimate risk/reward characteristics of undervaluation, rapid growth, solid technical base, inspiring theme, and “It Factor”—all of them ideally supported by recent insider buying. These special situation stocks typically have a powerful and contagious story to tell. The really big money is made while surfing the waves of emotion generated by these game-changing stocks. I have succeeded in discovering these rare beasts consistently over the years, and I now consider myself to be the expert on what I like to call... “Superstocks.”

Over several years at the start of my career, I had separate account drawdowns (trading losses) of 61%, 64%, 65%, 100%, 100% and 106%. Unbelievable? Yes. After each setback, rather than crawl to the safety and stability of an office cubicle, I returned to the market with an absolute vengeance.

After these and other significant setbacks over the years, in entirely separate time periods, I’ve seen my personal portfolio surge 111% in 4 weeks, 117% in 4 weeks, 156% in 8 weeks, 264% in 12 weeks, 273% in 16 weeks, 371% in 10 weeks, 1,010% in 17 weeks, and 1,026% and 1,244% in 29 and 46 weeks respectively (same time period).

Once every few years, we hear stories of somebody who turns his modest college savings into a million dollars within a short time period. Outside of the internet bubble of the late 1990’s, what are the odds of somebody achieving this type of return just one time in his investment career? 5 million to one? 10 million to one? What are the odds that somebody could achieve such extraordinary returns over and over and over again? I dare say only a small handful of people have ever had short term returns similar to mine. By sticking with my principles, I repeatedly put myself in a position to achieve what very few others have ever achieved before.

Recording record-beating returns doesn’t guarantee future performance, but it certainly establishes the credibility of the method I employ: a simple method that you can master through
hard work and discipline.

As investors, it is one thing to discuss investment theory and to dream of extraordinary returns, but another thing entirely to experience such explosive returns firsthand. This fact alone separates this book from the other 98,342 investing books in the public domain.

I am well aware that not everything I say in this book will be applicable to your situation. I also don’t want to sugarcoat things by saying that this book guarantees riches. The likelihood of anybody achieving similar 14,972% returns in 28 months is slim. Look, I have traded a couple billion dollars worth of stock and I have spent (lost) millions on my market education. It is my objective that you will be able to learn from the rules I developed during and after my numerous successes and failures. My ultimate goal is to provide you with a good deal of quality actionable information to help you significantly outperform the major market averages over time.

To supercharge your returns, we will work together to try to shift your focus and your efforts from the abundance of activities that DON’T contribute to investment success to the few activities that DO. You will learn to actively question each and every one of your habitual investment activities. Frankly, a majority of these activities need to be thrown out. You will learn that by doing EVERYTHING differently you can put yourself in a position to achieve massive returns. Most importantly, in some small way, I hope this book will help you develop a “Millionaire Mindset” that will inspire you to take immediate action to achieve your dreams.

I would like nothing more than to increase your level of happiness through your future investing success. I’ve proven that I can beat all odds time and time again. It is now my mission to help you beat the odds without taking on the level of risk that I occasionally took on.

From the bottom of my heart, I welcome you with open arms and thank you for joining me on this unique journey. This book will turn everything you’ve ever known about investing on its head. Pack your bags; you’re in for a wild ride!

**MY MOTIVATION FOR WRITING — WHY NOW?**

“There’s a moment where you’re not a kid any more, when you realize time is finite.”

Salman Rushdie

Many people will ask the obvious question: “If you are so good at trading, why are you writing?” Well, I initially had designs to write this book way back in 2006. However, the timing just wasn’t right for me. The inspiration to write simply wasn’t present and there would prove to be much more for me to learn about the markets in the future. During time away from the market, I started experiencing feelings of guilt and restlessness over not writing the book. It was during a period of reflection in Indonesia in 2011 when several waves of inspiration finally
took hold of me. I concluded that the time was finally right for me to start the second chapter of my life. This book had been my dream for far too long, and as we know—there’s a huge price to pay if we don’t live our dreams.

In the days that followed the decision to write, I dug out all of my old trading notes and I performed a complete audit of my entire investment history from start to finish. It wasn’t until I conducted the audit that I realized the full extent of my success. Prior to that, I had never been fully conscious of exactly how much I started with or precisely how much I had made. During my research, I was surprised that I couldn’t find anybody else with a better personal portfolio return during the post internet bubble modern era. This finding provided me with even more motivation to write.

As I conducted my audit, did I find that all of my trades worked out? As you will discover, the answer would be a big resounding NO! In fact, a MAJORITY of my trades didn’t work out as I anticipated. Fortunately, it became apparent that as long as I cut my many losses short, my few winners carried my account.

As I looked at similar investment books, I became disturbed by how most of them made investing success sound so easy. From my experience, nothing could be further from the truth. Like anything else worthwhile in life, it takes hard work, determination, and massive trial and error to achieve success. I also noticed that most of the best-selling books and newsletters were written by the slickest marketers who had run-of-the-mill track records. Taking advice from many of these guys is akin to taking healthy lifestyle advice from Dick Cheney.

By nature, people assume that if somebody appears on television or in print, they have an outstanding investment record and are great at what they do. In practice, nothing could be further from the truth. I wondered why people spent their hard earned money on books written by professional writers who know plenty of theory but have never achieved a high level of success. One of the top selling investment books I looked at was written by a 26 year-old professional writer with a degree in literature with no investment success to speak of. But boy, the book sure sold a lot of copies and looked great. Our culture is all about psychological manipulation (marketing)—be it Coke, Budweiser, Nike, or McDonald’s. It became apparent to me that the world of Finance is no different. I just had to write this damn book to tell it like it really is.

You will find the best traders are the ones who spend every waking hour in front of their monitors. They are the dull ones. I wanted to give a voice to those of us who have spent a majority of our time trading in the trenches 100% outside of public view.

Furthermore, I was inspired by a common complaint that I saw among Amazon.com book reviewers—that investment authors consistently covered up their failures. The accepted norm is for authors to move swiftly from one victory to the next while conveniently skipping over their failures. I don’t care who you are; everybody fails at some point. Readers are well aware that the majority of what we learn in life comes from our failures. Why hide them?

I would be untruthful if I implied that I had no financial incentives in writing this book.
Given my volatile trading history, I thought it would be useful to have a separate stream of income that might provide a level of emotional and financial stability. It took me far too long to realize, but this lack of financial stability was causing havoc with certain aspects of my life.

“If you’re not making someone else’s life better, you’re wasting your time.”

Actor Will Smith

There were several other equally important reasons for taking a stab at writing. As I spent a Sunday afternoon earlier this year in beautiful Parque San Martin in Mendoza, Argentina, I sat in contemplation and began jotting down the many reasons for writing this book.

I realized that by trading in total isolation for so long, my career had lacked meaning. My energy was not being shared with others, but instead was being focused inward. I found that working by myself and for myself, had caused a low energy burnout that led to a “mini-retirement.” Trading alone lacked value and I wasn’t enriching the world around me in any meaningful way. By sharing my vision and relating my story, I wanted readers to learn as much from my mistakes as from my successes. In my self-absorbed selfish pursuit of market domination, time was beginning to lose its importance as each new day morphed into the next.

I reflected on reaching “adulthood” and the newfound inner urge to leave a legacy. Something ever-lasting that not only documented the journey of my trading life but would teach others in the process. By writing, I could bring more creativity into my life. As I grew tired of consuming and constantly “taking” from life, I wanted to give back in some small way by sharing this knowledge and passion. If at all possible, in some small way I wanted to make a difference in people’s lives.

I knew that by teaching others, I would learn more about investing, so it’s a win-win of sorts. By sharing my passion, I thought I might empower and inspire others to define and shoot for their financial dreams. As a by-product of writing, my hope was to meet people with similar interests and similar stories.

Taken together, the reasons were an overwhelming signal for me to take action to begin my second act in life.

But why now? People think I’m crazy for releasing the book now. They say that books need to be released during periods of heightened social mood and market frenzy. I disagree. I believe that for the benefit of the reader, those are the worst possible times to release a book. My belief is that the best time to read a book of this nature is during universal pessimism. It is my hope that readers will be able to utilize what they have learned in these pages to eventually crush the market when social mood begins to turn (if not well before).
Italy etc., the “end of the European Union,” the “end of the Euro currency,” economists calling for an imminent recession, and Goldman Sach’s call for a possible 2012 25% drop in the S+P 500. Did I mention that there are about 10 countries today in the Middle East that are threatening to take down the entire planet? The media couldn’t build a higher “Wall of Worry” if it tried.

As you will see, the largest market advances in history happened when we least expected them to happen. The largest market advances happen in spite of the prevailing Wall of Worry (negative groupthink). In short, market advances NEED a gigantic wall of worry to keep as many people as possible on the sidelines.

It is my belief that the 30-plus year bull market in treasuries has ended. This in combination with infinite global “quantitative easing” could provide the hidden fuel for literally years of great investment opportunities to come. Call me crazy, but it is my belief that it makes sense to help readers prepare for and to be ready to knock the cover off the ball when winter turns into spring. The last time I checked, winter ALWAYS turns into spring.

THE JOURNEY AHEAD

In my very biased opinion, one thing that truly sets this book apart from all the others is the fact that I have chosen to show real-life examples from my trading history. It is rare to see a book that shows an investor’s thought process prior to entering a major trade. It is oh-so-easy in hindsight to analyze a successful stock that you never owned. The ability to control your emotions is 90% of investing. Emotions never enter into the equation when you analyze stocks you never owned.

In this book, I try to provide exactly what I saw technically and fundamentally prior to establishing my positions. I even include several old “email alerts” and stock postings that describe exactly what I saw before stocks and markets made their major moves.

Broadly speaking, the first part of the book details my investing journey over the years. Some of it is deeply personal. I hope you find it interesting. Beyond that, we will discuss how YOU can become a successful investor. There will be much discussion about the media, independent thinking, sentiment, psychology, and achieving “Flow” as it relates to your success.

I devote quite a bit of the book’s real estate to emotion because whether you like it or not, emotions drive markets. You may find some of these sections to be tedious or boring, but they are absolutely essential to mastering the market. We will also spend some time on instilling confidence and developing a “killer instinct” as it relates to the market. Such traits are vitally important because quite simply, the timid are absolutely CRUSHED in the market. Finally, we will transition into everything you want to know (and then some!) about Superstocks.

Lastly, the Appendix is a collection of my old alerts discussing exactly what I saw before major stock market inflection points. I also include my recent “annual outlooks” (2010—“Do
Absolutely Nothing,” 2011—“Priced for Perfection,” 2012—“Face-Ripping Market Smorgasbord”) which help show how I formulate my long-term market outlook. If you enjoy reading my alerts and find them educational, feel free to contact me to be added to the friends and family list. At some point, I intend to put a much larger collection together in a .pdf format for posterity.

The book includes many charts. I urge you to spend time studying them and to really THINK and try to understand them. The charts convey absolutely EVERYTHING. If you can’t become “one” with a chart, there is simply no way to succeed on a massive scale in the stock market. A majority of the book’s charts are actual holdings from my 28 month historic portfolio advance. A few others are some of my favorite holdings from 2006-2008. Lastly, in order to freshen things up a bit, a few charts are from the past year or so.

Let me ask you a question before we move on. Currently, are you investing in stock prices because they will go up and will thus maximize personal wealth creation? Or are you investing in an emotionally satisfying and comforting “STORY”?

By the end of this book, I think your initial response may surprise you.

A great deal of the book will deal with doing things that are NOT comfortable to you. Most investors are destined for mediocrity because it is literally too daunting for them to leave their comfort zones. We will discuss the importance of actively questioning your status quo while focusing on really stretching to do things others simply cannot do. I guarantee that in practice it will be emotionally VERY difficult to follow parts of my philosophy.

This book is not a “system” that so many other books claim to be. It is all about solid research that will forever stand the test of time. As you read the book, in order to better understand its concepts and to increase your comprehension dramatically, it may help if you visualize yourself as a professional trader or investment manager (if you are not one already). I say this because there have been numerous “commitment studies” demonstrating that people with a long term commitment learn at an accelerated pace. People who truly “believe” that they will be doing a particular activity for the rest of their lives will learn 2-3 times as much in the same period of time as those who do not have a long-term commitment.

I also want to add that I apologize if my tone seems to be too optimistic or “Ra-Ra” at times. My intention is to instill within you the right confident attitude to aid your success over the long term. As I ask later in the book, when was the last time you saw a pessimistic billionaire?

But now, I want to tell you a bit about how I got started in this field. My romance with the financial markets began some 17 years ago. Let me tell you- the beginning was certainly anything but easy for me. Given my guarded nature, a majority of what will follow is not known by anybody else. UNTIL NOW.