



Notice I-99-03b

March 12, 1999

CPO/CTA DISCLOSURE DOCUMENTS: COMPLIANCE RULE 2-35 INTERPRETIVE NOTICE

A Disclosure Document should provide essential information about the fundamental characteristics of a pool, and it should provide the information in a way that will assist investors in making informed decisions about whether to invest in the pool. Because investors who rely on the Disclosure Document may not be sophisticated in legal or financial matters, the information in the Disclosure Document should be written in clear, concise, and understandable language using plain English principles. If a Disclosure Document uses frequent technical or legal terminology, complex language, excessive detail, and extended discussions of legal requirements, the Disclosure Document becomes difficult for many investors to understand and may, therefore, defeat its purpose.

Compliance Rule 2-35 requires the Disclosure Document to be as clear and concise as possible and to use plain English principles. In particular, Disclosure Documents should be written:

- In the active voice;
- Using short sentences and paragraphs;
- Breaking up the document into short sections, using titles and subtitles that specifically describe the contents of each section;
- Using words that are definite, concrete, and part of everyday language;
- Avoiding legal jargon and highly technical terms;
- Using glossaries to define technical terms that cannot be avoided;
- Avoiding multiple negatives;
- Saying something once where it is most important rather than repeating information;
- Using tables and bullet lists, where appropriate.

Obviously, these are not hard and fast rules. For example, there may be times when something is so important that it should be said more than once. However, the Disclosure Document should substantially comply with the plain English principles described here.

Compliance Rule 2-35 also limits the information the CPO can include in the Disclosure Document. The Disclosure Document must include most of the information required by the CFTC's Part 4 Rules. It must also include any other information necessary to understand the fundamental characteristics of the pool or keep the Disclosure Document from being misleading. The Disclosure Document may also include information required by the Securities and Exchange Commission and state securities administrators. Such information currently includes items such as:

- (i) Any cautionary statement required by the Securities and Exchange Commission or a state securities administrator for a state where the pool is required to be registered;
- (ii) A concise description of the investment objectives, policies, and principal strategies of the pool, including a brief discussion of the circumstances under which these objectives or policies can be changed;
- (iii) For a pool that has been in operation for a full fiscal year, the compensation paid to all major CTAs for the most recent fiscal year as a percentage of average net assets. For a pool that has not been in operation for a full fiscal year, a general statement of what the major CTAs' fees will be as a percentage of average net assets. (Major CTAs are defined in CFTC Regulation 4.1((i));
- (iv) A brief description of any services provided by the major CTAs beyond those customarily provided by a CTA;
- (v) The identity of any person who provides significant administrative or business affairs management services to the pool with a brief description of the services provided and the compensation paid for these services;
- (vi) The name and principal address of the selling agent;
- (vii) If the pool has more than one class or series of securities offered or outstanding, a description of the characteristics of each class or series of securities, including dividend rights, liquidation rights, conversion rights, and redemption provisions;
- (viii) A description of how participant inquiries should be made;
- (ix) A description of how an investment in the pool is made, including the identity of the principal underwriter, if applicable;
- (x) The minimum initial or subsequent investment amount;
- (xi) A description of how the price of pool units is determined (if the purchase price of a unit is based on the net asset value at a specified date, it is sufficient to state this); and
- (xii) If applicable, a statement that information about the pool, including the Statement of Additional Information, can be reviewed and copied at the Securities and Exchange Commission's Public Reference Room in Washington, D.C.; that information on the operation of the public reference room may be obtained by calling the Securities and Exchange Commission at 1-800-SEC-0330; that reports and other information about the pool are available on the Securities and Exchange Commission's Internet site at <http://www.sec.gov>; and that copies of this information may be obtained, upon payment of a duplicating fee, by writing the Public Reference Section of the Securities and Exchange Commission, Washington, D.C. 20549-6009.

The Disclosure Document may not include any additional information. The CPO can, however, provide additional information in a Statement of Additional Information.

Disclosure Documents for single-advisor pools should usually be 30 pages or less. Disclosure Documents for more complex pools, such as multi-advisor pools or principal-protected pools, should not usually exceed 40 pages. However, longer Disclosure Documents will still comply with Compliance Rule 2-35 if they use the principles listed above and contain only the information allowed by Compliance Rule 2-35(b). And shorter Disclosure Documents will still violate Compliance Rule 2-35 if they are unnecessarily hard to read and understand.

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Subject: RE: NFA registration process

Date: Wed, 15 Feb 2006 16:23:13 -0600

From: "Fallon-Houle, Nancy" <nfallon@nfhlaw.com> View Contact Details
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Fantastic Thanks!
How much time do I owe you, we can send a check today or tomorrow, or hold til we meet.
Let me know.

Nancy Fallon-Houle
nfallon@nfhlaw.com
630-963-0439

From: Irina Hynes [mailto:thehynes@sbcglobal.net]
Sent: Wednesday, February 15, 2006 2:51 PM
To: Fallon-Houle, Nancy
Subject: NFA registration process

Dear Ms. Fallon-Houle:

CPO and CTA require Forms 7-R and 8-R to be filed electronically, Series 30 Branch Managers exam, a fingerprint card (see below), a fee of \$85 for each individual principal (however, card and fee are not required if such person is currently registered with the CFTC), and non-refundable registration fee of \$200. In addition, Associated Person (AP) requires Series 3 National Commodity Futures exam. The Series 31 Future Managed Funds exam appears to be an alternative to the Series 3; it is used for participation in a commodity pool. I was told that 31 is only used for limited commodities trading, and the NASD Series 7 exam is a prerequisite to Series 31. But I am still unsure as to whether they need to take Series 31 in place of Series 3, or in addition to it! An individual applying for registration as an AP cannot file his own application; his sponsor must do it, and then the AP applicant must electronically file a verification that the info. is correct.

To get started using the Online Registration System (ORS), it is necessary to establish a security account using the enrollment form at: <https://www.nfa.futures.org/orenroll/enroll/>
NFA will notify the firm by letter when it approves the enrollment request. These instructions are available at: http://www.nfa.futures.org/registration/security_manager.asp
Fingerprinting is available for NFA applicants at the Chicago office, 200 W. Madison, #1600, from 8 A.M. - 4 P.M., for \$15; two forms of I.D. required.
There is an online tutorial of registration forms at: www.nfa.futures.org, and the NFA Information Center (800) 621-3570 available for all questions. Templates of Forms 7-R and 8-R template are attached.

I hope this helped, and I didn't just repeat what you already knew!
Irina Hynes
thehynes@sbcglobal.net

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