



NATIONAL
FUTURES
ASSOCIATION®

Disclosure Documents

A Guide for CPOs and CTAs

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Who Must Prepare a Disclosure Document?

Commodity Trading Advisors (CTA) must deliver a Disclosure Document for the offered program to a prospective client prior to or when it delivers the advisory agreement to the client. (See page 33 for filing procedures.)

Similarly, Commodity Pool Operators (CPO) must deliver a Disclosure Document to a prospective pool participant prior to or when it delivers the pool subscription agreement to the participant. (This does not apply when the prospective pool participant is another pool operated by the offered pool's CPO, or by a CPO who controls, is controlled by or is under common control with the CPO of the offered pool.)

Both CTAs and CPOs must obtain from prospective clients and pool participants an acknowledgement signed and dated by the client or participant stating that they received a Disclosure Document. When the Disclosure Document is delivered by electronic means, the CTA or CPO may accept an electronic signature.

An exception to the disclosure document rule exists for CTAs who direct accounts of Qualified Eligible Persons (QEPs) as defined by CFTC Regulation 4.7 and for pools that are offered exclusively to QEPs. In these situations, upon filing the required exemption notice, a disclosure document is not required to be provided to the QEPs. (See page 35.)

Disclosure Documents for CTAs must include the following information:

COVER PAGE

The cover page of the Document must include the following Cautionary Statement:

THE COMMODITY FUTURE TRADING COMMISSION HAS NOT PASSED UPON THE MERITS OF PARTICIPATING IN THIS TRADING PROGRAM NOR HAS THE COMMISSION PASSED ON THE ADEQUACY OR ACCURACY OF THIS DISCLOSURE DOCUMENT.

RISK DISCLOSURE STATEMENT

The following Risk Disclosure Statement must be prominently displayed immediately after the cover page of the Document.

RISK DISCLOSURE STATEMENT

THE RISK OF LOSS IN TRADING COMMODITIES CAN BE SUBSTANTIAL. YOU SHOULD THEREFORE CAREFULLY CONSIDER WHETHER SUCH TRADING IS SUITABLE FOR YOU IN LIGHT OF YOUR FINANCIAL CONDITION. IN CONSIDERING WHETHER TO TRADE OR TO AUTHORIZE SOMEONE ELSE TO TRADE FOR YOU, YOU SHOULD BE AWARE OF THE FOLLOWING:

IF YOU PURCHASE A COMMODITY OPTION, YOU MAY SUSTAIN A TOTAL LOSS OF THE PREMIUM AND OF ALL TRANSACTION COSTS.

IF YOU PURCHASE OR SELL A COMMODITY FUTURE OR SELL A COMMODITY OPTION, YOU MAY SUSTAIN A TOTAL LOSS OF THE INITIAL MARGIN FUNDS AND ANY ADDITIONAL FUNDS THAT YOU DEPOSIT WITH YOUR BROKER TO ESTABLISH OR MAINTAIN YOUR POSITION. IF THE MARKET MOVES AGAINST YOUR POSITION, YOU MAY BE CALLED UPON BY YOUR BROKER TO DEPOSIT A SUBSTANTIAL AMOUNT OF ADDITIONAL MARGIN FUNDS, ON SHORT NOTICE, IN ORDER TO MAINTAIN YOUR POSITION. IF YOU DO NOT PROVIDE THE REQUESTED FUNDS WITHIN THE PRESCRIBED TIME, YOUR POSITION MAY BE LIQUIDATED AT A LOSS, AND YOU WILL BE LIABLE FOR ANY RESULTING DEFICIT IN YOUR ACCOUNT.

UNDER CERTAIN MARKET CONDITIONS, YOU MAY FIND IT DIFFICULT OR IMPOSSIBLE TO LIQUIDATE A POSITION. THIS CAN OCCUR, FOR EXAMPLE, WHEN THE MARKET MAKES A "LIMIT MOVE."

THE PLACEMENT OF CONTINGENT ORDERS BY YOU OR YOUR TRADING ADVISOR, SUCH AS A "STOP-LOSS" OR "STOP-LIMIT" ORDER, WILL NOT NECESSARILY LIMIT YOUR LOSSES TO THE INTENDED AMOUNTS, SINCE MARKET CONDITIONS MAY MAKE IT IMPOSSIBLE TO EXECUTE SUCH ORDERS.

A "SPREAD" POSITION MAY NOT BE LESS RISKY THAN A SIMPLE "LONG" OR "SHORT" POSITION.

THE HIGH DEGREE OF LEVERAGE THAT IS OFTEN OBTAINABLE IN COMMODITY TRADING CAN WORK AGAINST YOU AS WELL AS FOR

YOU. THE USE OF LEVERAGE CAN LEAD TO LARGE LOSSES AS WELL AS GAINS.

IN SOME CASES, MANAGED COMMODITY ACCOUNTS ARE SUBJECT TO SUBSTANTIAL CHARGES FOR MANAGEMENT AND ADVISORY FEES. IT MAY BE NECESSARY FOR THOSE ACCOUNTS THAT ARE SUBJECT TO THESE CHARGES TO MAKE SUBSTANTIAL TRADING PROFITS TO AVOID DEPLETION OR EXHAUSTION OF THEIR ASSETS. THIS DISCLOSURE DOCUMENT CONTAINS, AT PAGE (insert page number), A COMPLETE DESCRIPTION OF EACH FEE TO BE CHARGED TO YOUR ACCOUNT BY THE COMMODITY TRADING ADVISOR.

THIS BRIEF STATEMENT CANNOT DISCLOSE ALL THE RISKS AND OTHER SIGNIFICANT ASPECTS OF THE COMMODITY MARKETS. YOU SHOULD THEREFORE CAREFULLY STUDY THIS DISCLOSURE DOCUMENT AND COMMODITY TRADING BEFORE YOU TRADE, INCLUDING THE DESCRIPTION OF THE PRINCIPAL RISK FACTORS OF THIS INVESTMENT, AT PAGE (insert page number).

If the CTA may trade foreign futures or options contracts, the Risk Disclosure Statement must further state the following:

YOU SHOULD ALSO BE AWARE THAT THIS COMMODITY TRADING ADVISOR MAY ENGAGE IN TRADING FOREIGN FUTURES OR OPTIONS CONTRACTS. TRANSACTIONS ON MARKETS LOCATED OUTSIDE THE UNITED STATES, INCLUDING MARKETS FORMALLY LINKED TO A UNITED STATES MARKET MAY BE SUBJECT TO REGULATIONS WHICH OFFER DIFFERENT OR DIMINISHED PROTECTION. FURTHER, UNITED STATES REGULATORY AUTHORITIES MAY BE UNABLE TO COMPEL THE ENFORCEMENT OF THE RULES OF REGULATORY AUTHORITIES OR MARKETS IN NON-UNITED STATES JURISDICTIONS WHERE YOUR TRANSACTIONS MAY BE EFFECTED. BEFORE YOU TRADE YOU SHOULD INQUIRE ABOUT ANY RULES RELEVANT TO YOUR PARTICULAR CONTEMPLATED TRANSACTIONS AND ASK THE FIRM WITH WHICH YOU INTEND TO TRADE FOR DETAILS ABOUT THE TYPES OF REDRESS AVAILABLE IN BOTH YOUR LOCAL AND OTHER RELEVANT JURISDICTIONS.

If the CTA is not also a registered futures commission merchant (FCM), the following statement must appear as the last paragraph of the Risk Disclosure Statement:

THIS COMMODITY TRADING ADVISOR IS PROHIBITED BY LAW FROM ACCEPTING FUNDS IN THE TRADING ADVISOR'S NAME FROM A CLIENT FOR TRADING COMMODITY INTERESTS. YOU MUST PLACE ALL FUNDS FOR TRADING IN THIS TRADING PROGRAM DIRECTLY WITH A FUTURES COMMISSION MERCHANT.

TABLE OF CONTENTS

The Document must contain a table of contents showing, by subject matter, the location of the disclosures made in the Disclosure Document. The table of contents must appear immediately following the Risk Disclosure Statement.

INTRODUCTION

The forepart of the Document must include the name, address of the main business office, main business telephone number and form of organization of the CTA. If the mailing address of the main business office is a post office box number or is not within the United States, its territories or possessions, the Document must state where the CTA's books and records will be kept and made available for inspection. The date the CTA first intends to use the Disclosure Document must also be included in the forepart.

PRINCIPALS

The Document must identify, by name, each principal of the CTA.

BUSINESS BACKGROUND

The Document must disclose the business background of the CTA and any principal of the CTA who will participate in making trading or operational decisions, or who supervises persons so engaged, for the five years preceding the date of the Document. Officers and Directors are included among the principals whose business background is required.

The business background of the CTA should include at least the month and year of the effective date of its NFA membership and CFTC registration. The business background for each required principal should include the dates of each period of employment, the name and main business of each employer, and the principal's functions while so employed. This section should also include the location in the Document where any of the required past performance disclosures for the principals is presented.

THE FUTURES COMMISSION MERCHANT

If the CTA requires clients to maintain their accounts at a certain FCM, the CTA must disclose the name of that FCM in its document. Otherwise, the document must state that clients are free to choose the FCM with which they will maintain their accounts.

THE INTRODUCING BROKER

If the CTA requires clients to have their accounts introduced by a certain introducing broker (IB), the name of the IB must be disclosed. Otherwise, the Document must state that clients are free to choose what, if any, IB will be used.

PRINCIPAL RISK FACTORS

The Document must include a discussion of the principal risk factors of the trading program. The discussion must include, without limitation, the risks relating to volatility, leverage, liquidity, and counterparty creditworthiness, as applicable to the trading program and types of transactions and investment activity expected to be engaged in pursuant to the trading program.

THE TRADING PROGRAM

The Document must include a description of the trading program. The description must include the types of commodity interests and other interests the CTA intends to trade and any restrictions or limitations on such trading established by the trading advisor or otherwise. In addition, it must disclose how the CTA intends to treat offsetting positions.

FEES

The Document must include a complete description of each fee which the CTA will charge the client.

- Wherever possible, the Document must specify the dollar amount of each fee. If fees may be negotiated on a case by case basis, the Document should provide a range of the highest and lowest fees that may be charged.
- Wherever any portion of the commission paid to the FCM or IB is paid to the CTA, the amount that is to be paid must be disclosed.
- Where any fee is determined by reference to a base amount including, but not limited to, “net assets,” “gross profits,” “net profits” or “net gains,” the Document must explain how the base amount will be calculated.
- Where any fee is based on an increase in the value of the client’s commodity interest account, the Document must specify how that increase is calculated, the period of time during which the increase is calculated, the fee to be charged at the end of that period and the value of the account at which payment of the fee commences.

FEES BASED ON NOMINAL ACCOUNT SIZE

The Nominal Account Size is the total account size established by the customer and the CTA upon which the CTA will base its trading decisions. The Nominal Account Size may be different than the actual funds on deposit in the client’s account. CTAs who assess fees based on the Nominal Account Size must fully describe how the fee will be calculated. Additionally, the CTA must disclose the fee as a percentage of the actual funds on deposit. For example, the CTA should disclose that a 2% fee is equivalent to 4% of actual funds on an account that is 50% funded. The CTA may choose to reflect this information using the following formula:

$$(\text{Nominal account size/actual funds}) * n = a$$

where “n” is the percentage fee based on the nominal account size and “a” is the percentage based on actual funds.

ADDITIONAL DISCLOSURES FOR PARTIALLY-FUNDED ACCOUNTS

CTAs must provide the following information to clients with partially-funded accounts:

- (1) An explanation of how cash additions, cash withdrawals and net performance will affect the nominal account size;
- (2) A brief explanation regarding the effect of partial funding on margin and leverage;
- (c) A statement that partial funding increases the fees and commissions as a percentage of actual funds but does not increase the dollar amount of those fees; and
- (d) A description, example or formula of the effect of partial funding on rate of return and drawdown percentages.

The disclosures regarding partially funded accounts may be included as part of the CTA's Disclosure Document or client agreement. The CTA may also choose to provide this information to a client in a separate document provided that the client receives this information prior to the first trade being placed in the client's account.

CONFLICTS OF INTEREST

The Document must include a full description of any actual or potential conflicts of interest regarding any aspect of the trading program on the part of:

- The CTA;
- The FCM with which the client will be required to maintain its commodity interest account;
- The IB through which the client will be required to introduce its account to an FCM;
- Any principal of the above; and
- Any other material conflict involving any aspect of the trading program.

Included in the description of such conflicts must be any arrangement whereby the trading advisor or any principal may benefit, directly or indirectly, from the maintenance of the client's account with an FCM or from the introduction of such account to an FCM by an IB (such as payment for order flow or soft dollar arrangements). Some common conflicts include:

1. If the CTA (or principal thereof) receives per-trade compensation, the Document must disclose that the CTA has an incentive to overtrade the account to increase his compensation. This statement would also apply in cases where the CTA or its principal receives commission rebates in his capacity as an IB or AP.
2. If the CTA is an AP of the FCM that clients are required to use, the Document must disclose that the CTA has an incentive to trade the account actively to increase the compensation that his employer will receive.
3. If the CTA receives office space or other benefits from an FCM or IB, the Document must disclose that this arrangement may dispose the CTA to trade more actively.

LITIGATION

The Document must disclose any material administrative, civil or criminal action, whether *pending or concluded*, within five years preceding the date of the Document, against any of the following persons (a concluded action that resulted in an adjudication on the merits in favor of such person need not be disclosed):

- The CTA and all of its principals;
- The FCM with which the client will be required to maintain its commodity interest account;
- The IB through which the client will be required to introduce its account to an FCM;

With respect to an FCM or an IB, an action will be considered material if:

- The action would be required to be disclosed in the notes to the FCM's or IB's financial statements prepared pursuant to generally accepted accounting principles;
- The action was brought by the Commission (a concluded action that did not result in civil monetary penalties exceeding \$50,000 need not be disclosed unless it involved allegations of fraud or other willful misconduct); or
- The action was brought by any other federal or state regulatory agency, a non-United States regulatory agency or a self-regulatory organization and involved allegations of fraud or other willful misconduct.

Where a matter is material, its description must include a recital of the nature of the action, the parties involved, the allegations or findings, the status of the action and the size of any fine or settlement.

TRADING FOR ITS OWN ACCOUNT

If the CTA or any of its principals trades or intends to trade commodity interests for its own account, the Document must disclose whether participants will be permitted to inspect the records of such person's trades and any written policies related to such trading.

MATERIAL INFORMATION

Nothing shall relieve a CTA from the obligation to disclose all material information to existing or prospective clients even if such information is not specifically required to be disclosed pursuant to Commission rules.

SUPPLEMENTAL INFORMATION

If any information, other than that required by Commission rules, the antifraud provisions of the Act, other federal or state laws or regulations, rules of a self-regulatory agency or laws of a non-United States jurisdiction, is provided, the information:

- May not be misleading in content or presentation or inconsistent with required disclosures;
- Is subject to the antifraud provisions of the Act and Commission rules and to rules regarding the use of promotional material promulgated by a registered futures association;
- May include supplemental non-performance information relating to a required disclosure with the related required disclosure, provided that it is included after all other required disclosures;
- May include any other supplemental non-performance information as long as this information is presented after all required disclosures.

REQUIRED PERFORMANCE DISCLOSURES

With the exception of proprietary trading results, the CTA must disclose the actual performance of all accounts directed by the CTA and by each of its trading principals. Trading principals are defined as any principal of the CTA who participates in making trading decisions for the CTA's clients

or who supervises or selects persons so engaged. All performance information presented in the Document must be current as of a date not more than three months preceding the date of the Document. All required performance information must be presented for the most recent five calendar years and year-to-date or for the life of the trading program or account, if less than five years. If the CTA or its trading principals previously have not directed any accounts, the trading advisor must prominently disclose this fact with one of the following statements, as applicable:

- (1) THIS TRADING ADVISOR PREVIOUSLY HAS NOT DIRECTED ANY ACCOUNTS; or
- (2) NONE OF THE TRADING PRINCIPALS OF THIS TRADING ADVISOR HAS PREVIOUSLY DIRECTED ANY ACCOUNTS; or
- (3) NEITHER THIS TRADING ADVISOR NOR ANY OF ITS TRADING PRINCIPALS HAS PREVIOUSLY DIRECTED ANY ACCOUNTS.

If the CTA is a sole proprietorship, reference to its trading principals need not be included in the prescribed statement.

PERFORMANCE OF THE OFFERED TRADING PROGRAM

The performance of the offered trading program must be identified as such and separately presented first. Unless such presentation would be misleading, the performance of accounts traded pursuant to the same trading program may be presented in composite form. Accounts that differ materially with respect to rates of return (ROR) may not be presented in the same composite. All material differences among accounts included in the composite must be disclosed.

The past performance of the offered trading program must include monthly RORs for the five most recent calendar years and year-to-date, either in a numerical table or in a bar graph, and annual and year-to-date RORs for the same time period. The disclosure of the past performance of the offered trading program must also include the following additional information:

- The name of the CTA or other person trading the account and the name of the trading program.
- The date on which the CTA or other person trading the account began trading client accounts.
- The date when client funds began being traded pursuant to the offered trading program.
- The number of accounts directed by the CTA or other person trading the account pursuant to the trading program specified, as of the date of the Document.
- The total assets under the management of the CTA or other person trading the account, as of the date of the Disclosure Document.
- The total assets traded pursuant to the trading program specified, as of the date of the Document.
- The largest monthly draw-down experienced by the trading program during the most recent five calendar years and year-to-date expressed as a

percentage, as well as the month and year of the draw-down. A definition of the term draw-down must be included in the capsule.

- The worst peak-to-valley draw-down experienced by the trading program during the most recent five calendar years and year-to-date, as well as the period the draw-down occurred. The period begins with the peak month and year and ends with the valley month and year.
- The number of accounts traded pursuant to the offered trading program that were opened and closed during the period with positive net performance as of the date the accounts were closed.
- The range of returns experienced by these accounts.
- The number of accounts traded pursuant to the offered trading program that were opened and closed during the period with negative net performance as of the date the accounts were closed.
- The range of returns experienced by these accounts.
- Any past performance presentation must be preceded with the following statement, prominently displayed: PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

All performance information must be supported by the following amounts, calculated on an accrual basis of accounting in accordance with generally accepted accounting principles:

- The beginning net asset value (BNAV) for the period, which shall represent the previous period's ending net asset value (ENAV);
- All additions, whether voluntary or involuntary, during the period;
- All withdrawals and redemptions, whether voluntary or involuntary, during the period;
- The net performance for the period, which shall represent the change in the net asset value net of additions, withdrawals, redemptions, fees and expenses;
- The ENAV for the period, which shall represent the BNAV plus or minus additions, withdrawals and redemptions, and net performance; and
- The ROR for the period, computed on a compounded monthly basis.

COMPUTING ROR

ROR is defined as net performance for a period divided by the BNAV for that period. Using this method, however, can sometimes result in distortions in computed ROR under certain circumstances. For example, distortions can result when additions and/or withdrawals are large and are made early in the reporting period. In those instances when using the above method would result in RORs that are inaccurate the following alternate methods are acceptable provided that the resultant RORs are not misleading.

Time-weighting. In the time-weighting method, the BNAV is adjusted upward by time-weighted additions and downward by time-weighted withdrawals. For additions, the time-weighting represents the percentage of the month for

which funds were available, while for withdrawals the time-weighting represents the percentage of the month for which funds were unavailable. For example, if the actual BNAV was \$1,000,000 and an additional \$1,200,000 was deposited on the 10th of the month, and \$600,000 was withdrawn on the 20th of the month, the BNAV would be adjusted upward by \$800,000 (because the \$1,200,000 added was available for two-thirds of the month) and downward by \$200,000 (because the \$600,000 withdrawn was unavailable for one-third of the month). Therefore, the adjusted BNAV would be \$1,600,000, a 60 percent increase over the actual BNAV. Thus, if the net performance for the month equaled \$100,000, the ROR would be 6.25 percent instead of the 10 percent that would have been implied using the actual BNAV.

Compounded ROR. In this method, the ROR is calculated for each sub period between additions/withdrawals (as if each such subperiod were itself an entire month). As the name implies, the compounded ROR for the entire month would be equal to the compounded return for the subperiod. For example, assume a \$1,000,000 starting equity and the following subperiod returns and additions/withdrawals:

	Subperiod Starting Equity	Subperiod Percent Return	Subperiod Profit/Loss	Addition/ Withdrawal
Month Start	1,000,000	+ 8.0	80,000	+ 200,000
After first addition/withdrawal	1,280,000	+12.0	153,600	+ 400,000
After second addition/withdrawal	1,833,600	- 10.0	- 183,360	- 600,000
After third addition/withdrawal	1,050,240	+20.0	- 210,048	0
Month end	1,260,288			

In this example, the compounded ROR would be equal to $(1.08 \times 1.12 \times 0.9 \times 1.2) - 1 = 0.3064 = 30.64\%$

The compounded ROR method will precisely reflect the return realized by accounts that did not experience any additions or withdrawals during the month, given the following set of assumptions: (1) in actual trading, the CTA adjusts the trading leverage daily to account for changes in equity, and (2) the subperiods in the compounded ROR calculation are defined as days.

Only Accounts Traded. The only accounts traded (OAT) method calculates the monthly ROR in the conventional manner of dividing the net performance by the BNAV, except that accounts that traded for only part of the month or witnessed “material” additions/withdrawals during the months would be excluded from the calculations. By excluding these accounts, the calculated figure will reflect the ROR that would have been realized by an investor with an account that was active at the start of the month and held until the end of the month without any additions or withdrawals. In effect, by removing the influence of intramonth additions/withdrawals, the OAT method yields an undistorted actual return figure.

Each of the above methods of computing ROR is acceptable provided certain conditions are met and the resultant RORs are not misleading. The registrant is responsible for the accuracy of any method chosen to address the impact of

additions and withdrawals upon ROR. Whichever method is selected must be consistently applied from period to period. The registrant may not depart from the chosen method unless performance would otherwise not be properly represented. The method selected for computing ROR must be disclosed in the notes to the performance capsule.

COMPUTING ROR FOR NOTIONALLY FUNDED ACCOUNTS

When the Nominal Account Size is different than the actual funds on deposit in the client's account, the account is considered to be notionally funded. CTAs must calculate rates of return using the nominal account size. If an account is partially funded, the CTA must maintain written confirmation of the nominal account size agreed to by the client and the CTA.

ANNUAL AND YEAR-TO-DATE RATES OF RETURN

Annual RORs can be calculated using the Compounded ROR method described above or the Value Added Monthly Index (VAMI) method. The VAMI method generally assumes an initial investment of \$1,000 and shows how such an investment would have fared over a certain period of time. In order to calculate annual ROR using VAMI, you must first calculate the value of the \$1,000 investment as of the end of each subperiod or month based upon the monthly RORs computed in accordance with one of the above mentioned methods. The calculation would be as follows:

In the first month of the period:

$$\text{VAMI for month} = (1 + \text{ROR for month}) \times 1000$$

For all subsequent months:

$$\text{VAMI for month} = (1 + \text{ROR for month}) \times \text{VAMI for prior month}$$

Annual ROR would then be calculated as follows:

$$\text{Annual ROR} = (\text{year-end VAMI} - \$1,000) \text{ divided by } \$1,000.$$

When calculating the annual RORs for subsequent years, the value of the initial investment should be reset to \$1,000 at the start of each year.

COMPUTING MONTHLY AND PEAK-TO-VALLEY DRAW-DOWNS

Draw-down means losses experienced by a pool or trading program over a specified period. A CTA's worst monthly draw-down is simply the trading program's worst monthly percentage ROR. Worst peak-to-valley draw-down is the greatest cumulative percentage decline in month-end net asset value (NAV) due to losses sustained by the accounts during any period in which the initial month-end NAV is not equaled or exceeded by a subsequent month-end NAV. In order to calculate this amount, the firm should calculate a continuous VAMI for the time period presented. Using this method the firm should determine the first month in which the VAMI is not followed by a VAMI which is greater than or equal to that month's VAMI. This month is the peak. The last month of this calculation is the month before the month in which the VAMI exceeds the peak. This lowest VAMI during that period is the valley. The peak and valley process should be carried throughout the VAMI index. The percentage change between each peak and valley should be calculated. The percentage change is calculated for each peak to valley as follows:

(High-Low)/High

The worst peak-to-valley draw-down will be the largest percentage change from a peak to a valley. The peak month and the valley month should be reported in the capsule.

A peak-to-valley draw-down which begins prior to the beginning of the most recent five calendar years is deemed to have occurred during such five calendar year period.

SAMPLE PERFORMANCE CAPSULE

Below is a sample performance capsule for an offered trading program:

Name of CTA:	Sample CTA
Name of Trading Program:	Offered Trading Program
Inception of Trading by CTA:	January 1, 1986
Inception of Trading in Offered Program:	January 1, 1989
# of accounts currently traded pursuant to the program as of 2/29/04:	123
Total nominal assets under management as of 2/29/04:	\$30,673,000
Total nominal assets traded pursuant to the program as of 2/29/04:	\$21,746,000
Largest monthly draw-down:	16.87%/June 2001
Worst peak-to-valley draw-down:	30.34%/May 2001 through August 2001
Number of profitable accounts that have opened and closed:	32
Range of returns experienced by profitable accounts:	1.32% - 19.78%
Number of losing accounts that have opened and closed:	7
Range of returns experienced by unprofitable accounts:	-.43% - -24.53%

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

Month	Rate of Return					
	2004	2003	2002	2001	2000	1999
January	1.12%	2.43%	3.50%	2.56%	1.54%	0.69%
February	1.34%	3.11%	-2.30%	1.96%	-0.89%	-0.82%
March		-0.23%	1.60%	3.72%	1.15%	0.55%
April		1.16%	1.22%	4.66%	0.97%	1.06%
May		1.54%	-3.62%	2.75%	1.21%	0.90%
June		0.32%	1.32%	-16.87%	0.51%	1.12%
July		1.28%	1.15%	-9.87%	0.11%	1.01%
August		1.12%	1.85%	-7.03%	-0.14%	0.93%
September		2.09%	0.87%	5.61%	0.56%	0.99%
October		1.34%	2.10%	4.23%	0.23%	1.01%
November		1.57%	0.90%	3.97%	1.11%	1.19%
December		1.04%	0.83%	3.81%	0.32%	1.14%
Year	2.47%	18.07%	9.61%	-3.47%	6.86%	10.20%

Draw-down: Losses experienced by the trading program over a specified period.

(A bar chart may be substituted for the numerical table. The bar chart, if used, must show percentage rate or return on the vertical axis and one-month increments on the horizontal axis. It must be scaled in such a way as to clearly show month-to-month differences in rate of return and must separately display numerical percentage annual rates of return for the period covered by the bar graph.)

OTHER PERFORMANCE TO BE DISCLOSED

In addition to disclosing the past performance of the offered trading program, the Document must also include past performance information for all other accounts directed by the CTA and by each of its trading principals in the format described above with some exceptions. The Document need not disclose monthly rates of return for these accounts nor does it need to disclose the number of accounts that opened and closed during the period, or the range of returns those accounts experienced.

PROPRIETARY TRADING RESULTS

Proprietary trading results means the performance of any pool or account in which 50 percent or more of the beneficial interest is owned or controlled by: the CTA or any principal thereof, an affiliate or family member of the CTA, or any person providing services to the account. Proprietary trading results may not be included in a Document unless it is clearly labeled as proprietary and set forth separately after all disclosures, together with a discussion of any

differences between such performance and the performance of the offered trading program, including, but not limited to, differences in costs, leverage and trading methodology.

HYPOTHETICAL RESULTS

Hypothetical performance results are any performance results derived with the benefit of hindsight. NFA generally discourages the use of hypothetical performance results. However, NFA also recognizes that in certain circumstances the presentation of these results may have some limited utility. Hypothetical, extracted, pro-forma, or simulated results may not be shown for any program for which the Member has three months of actual trading results trading actual customer or proprietary accounts. In situations where a Member elects to present hypothetical performance results for a trading program which has less than three months of actual performance the Member must adhere to the following requirements in order to prevent the over-emphasis of the hypothetical performance results:

- The trading results must appear as the last disclosure in the Document.
- If the Member has less than one year of experience in directing customer accounts, past performance results must be shown for the trader's proprietary trading over the last five years or over the entire performance history if less than five years.
- The following disclaimer must be prominently displayed. If the person for whom the hypothetical results are being shown has less than 12 months of actual results, then the disclaimer must immediately precede the hypothetical results, otherwise it may be displayed immediately following the results. If several pages of hypothetical results are shown, the disclaimer may need to be included more than once.

HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS ACHIEVED BY ANY PARTICULAR TRADING PROGRAM.

ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE

IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.

- If the person for whom the hypothetical results are shown has either less than one year of experience in directing customer accounts or trading proprietary accounts, then the disclaimer must also contain the following statement:

(THE MEMBER) HAS HAD LITTLE OR NO EXPERIENCE IN TRADING ACTUAL ACCOUNTS FOR ITSELF OR FOR CUSTOMERS. BECAUSE THERE ARE NO ACTUAL TRADING RESULTS TO COMPARE TO THE HYPOTHETICAL PERFORMANCE RESULTS, CUSTOMERS SHOULD BE PARTICULARLY WARY OF PLACING UNDUE RELIANCE ON THESE HYPOTHETICAL PERFORMANCE RESULTS.
- Any hypothetical results must include a description of all material assumptions that were made in preparing the hypothetical results. At a minimum, this description must cover points such as initial investment amount, reinvestment or distribution of profits, commission charges, management and incentive fees, and the method used to determine purchase or sale prices for each trade. Any disclosure which is necessary to place the hypothetical results in their proper context must be made. This may go well beyond the prescribed disclaimer.

If a Member includes or makes reference to a hypothetical composite performance record showing what a multi-advisor account portfolio or pool could have achieved in the past if assets had been allocated among particular trading advisors, the Document must include the following disclaimer:

THIS COMPOSITE PERFORMANCE RECORD IS HYPOTHETICAL AND THESE TRADING ADVISORS HAVE NOT TRADED TOGETHER IN THE MANNER SHOWN IN THE COMPOSITE. HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY MULTI-ADVISOR MANAGED ACCOUNT OR POOL WILL OR IS LIKELY TO ACHIEVE A COMPOSITE PERFORMANCE RECORD SIMILAR TO THAT SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN A HYPOTHETICAL COMPOSITE PERFORMANCE RECORD AND THE ACTUAL RECORD SUBSEQUENTLY ACHIEVED.

ONE OF THE LIMITATIONS OF A HYPOTHETICAL COMPOSITE PERFORMANCE RECORD IS THAT DECISIONS RELATING TO THE SELECTION OF TRADING ADVISORS AND THE ALLOCATION OF ASSETS AMONG THOSE TRADING ADVISORS WERE MADE WITH THE BENEFIT OF HINDSIGHT BASED UPON THE HISTORICAL RATES OF RETURN OF THE SELECTED TRADING ADVISORS. THEREFORE, COMPOSITE PERFORMANCE RECORDS INVARIABLY SHOW POSITIVE RATES OF RETURN. ANOTHER INHERENT LIMITATION ON THESE RESULTS IS THAT THE ALLOCATION DECISIONS REFLECTED IN THE PERFORMANCE RECORDS WERE NOT MADE UNDER

ACTUAL MARKET CONDITIONS AND, THEREFORE, CANNOT COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FURTHERMORE, THE COMPOSITE PERFORMANCE RECORD MAY BE DISTORTED BECAUSE THE ALLOCATION OF ASSETS CHANGES FROM TIME TO TIME AND THESE ADJUSTMENTS ARE NOT REFLECTED IN THE COMPOSITE.

EXTRACTED PERFORMANCE

Extracted performance is when a Member chooses only one component of its overall past trading results to highlight to customers. The use of extracted performance results is permitted only when a CPO's or CTA's previous Disclosure Document designated the percentage of assets which would be committed toward that particular component of the overall trading program. For example, if the previous Disclosure Document stated that 25 percent of a fund's assets would be dedicated to trading financial futures contracts, and if 25 percent of the fund's assets were in fact dedicated to trading financial futures contracts, the CPO would be allowed to present the extracted performance of its financial futures trading based on net asset values equal to 25 percent of the fund's total net asset value. Extracted results must be clearly labeled and must disclose in an equally prominent fashion the overall actual trading results.

THE DISCLOSURE DOCUMENT

Disclosure Documents for commodity pools must comply with NFA Compliance Rule 2-35. This rule limits the information that may be included in a pool Disclosure Document. For public commodity pools, the rule requires that Disclosure Documents be prepared in two parts, consisting of a Disclosure Document and a Statement of Additional Information (SAI). The information which can be included in Part 1 of the Document is limited to the information required by the CFTC's Part 4 Regulations and any other information that the SEC or state securities regulators require to be included in Part 1 of a two-part Document. Any information which the CPO elects to disclose which is not specifically required by the CFTC, the SEC, or state securities administrators must appear in the SAI. The CPO of a public pool must provide both the Disclosure Document and the SAI to prospective clients prior to accepting or receiving any funds.

Disclosure Documents for private placement commodity pools are not required to be prepared in two parts unless the CPO chooses to disclose information other than that required by the CFTC's Part 4 Regulations in which case such information must appear in an SAI. CPOs of private commodity pools are not required to deliver an SAI to all prospective clients but must inform clients that one exists and provide it to them upon request. The SAI may be either bound together with the Disclosure Document or provided separately.

If a CPO prepares an SAI, the cover page of the SAI should include a date as well as the name of the commodity pool. In addition, it should include the date of the Disclosure Document and a statement that it is the second part of a two-part document and should be read in conjunction with the pool's Disclosure Document. Finally, a table of contents should immediately follow the SAI cover page.

NFA Compliance Rule 2-35 also requires that Disclosure Documents for commodity pools be written using 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.

Disclosure Documents which adhere to the guidelines set forth pursuant to the Rule should generally be 30 pages or less. Disclosure Documents for more

complex pools, however, such as multi-advisor pools or principal-protected pools may be slightly longer. When reviewing Documents for compliance with this Rule, NFA wants to avoid making determinations on what information must be included in order for a prospective participant to understand the fundamental characteristics of a pool. NFA feels that the CPO of a pool is better able to make these decisions. However, at the same time, NFA will review the Documents to ensure they provide the information in a manner which is manageable and easy to understand.

Disclosure Requirements for Commodity Pools
Disclosure Documents of commodity pools must include the following information:

COVER PAGE

The cover page of the Document must include the following Cautionary Statement:

THE COMMODITY FUTURES TRADING COMMISSION HAS NOT PASSED UPON THE MERITS OF PARTICIPATING IN THIS POOL NOR HAS THE COMMISSION PASSED ON THE ADEQUACY OR ACCURACY OF THIS DISCLOSURE DOCUMENT.

RISK DISCLOSURE STATEMENT

The following Risk Disclosure Statement must be prominently displayed immediately following the cover page of the Document:

RISK DISCLOSURE STATEMENT

YOU SHOULD CAREFULLY CONSIDER WHETHER YOUR FINANCIAL CONDITION PERMITS YOU TO PARTICIPATE IN A COMMODITY POOL. IN SO DOING, YOU SHOULD BE AWARE THAT FUTURES AND OPTIONS TRADING CAN QUICKLY LEAD TO LARGE LOSSES AS WELL AS GAINS. SUCH TRADING LOSSES CAN SHARPLY REDUCE THE NET ASSET VALUE OF THE POOL AND CONSEQUENTLY THE VALUE OF YOUR INTEREST IN THE POOL. IN ADDITION, RESTRICTIONS ON REDEMPTIONS MAY AFFECT YOUR ABILITY TO WITHDRAW YOUR PARTICIPATION IN THE POOL.

FURTHER, COMMODITY POOLS MAY BE SUBJECT TO SUBSTANTIAL CHARGES FOR MANAGEMENT, AND ADVISORY AND BROKERAGE FEES. IT MAY BE NECESSARY FOR THOSE POOLS THAT ARE SUBJECT TO THESE CHARGES TO MAKE SUBSTANTIAL TRADING PROFITS TO AVOID DEPLETIONS OR EXHAUSTION OF THEIR ASSETS. THIS DISCLOSURE DOCUMENT CONTAINS A COMPLETE DESCRIPTION OF EACH EXPENSE TO BE CHARGED THIS POOL AT PAGE (insert page number) AND A STATEMENT OF THE PERCENTAGE RETURN NECESSARY TO BREAK EVEN, THAT IS, TO RECOVER THE AMOUNT OF YOUR INITIAL INVESTMENT, AT PAGE (insert page number).

THIS BRIEF STATEMENT CANNOT DISCLOSE ALL THE RISKS AND OTHER FACTORS NECESSARY TO EVALUATE YOUR PARTICIPATION IN THIS COMMODITY POOL. THEREFORE, BEFORE YOU DECIDE TO PARTICIPATE

IN THIS COMMODITY POOL, YOU SHOULD CAREFULLY STUDY THIS DISCLOSURE DOCUMENT, INCLUDING A DESCRIPTION OF THE PRINCIPAL RISK FACTORS OF THIS INVESTMENT, AT PAGE (insert page number).

If the pool may trade foreign futures or options contracts, the Risk Disclosure Statement must further state:

YOU SHOULD ALSO BE AWARE THAT THIS COMMODITY POOL MAY TRADE FOREIGN FUTURES OR OPTIONS CONTRACTS. TRANSACTIONS ON MARKETS LOCATED OUTSIDE THE UNITED STATES, INCLUDING MARKETS FORMALLY LINKED TO A UNITED STATES MARKET, MAY BE SUBJECT TO REGULATIONS WHICH OFFER DIFFERENT OR DIMINISHED PROTECTIONS TO THE POOL AND ITS PARTICIPANTS. FURTHER, UNITED STATES REGULATORY AUTHORITIES MAY BE UNABLE TO COMPEL THE ENFORCEMENT OF THE RULES OF REGULATORY AUTHORITIES OR MARKETS IN NON-UNITED STATES JURISDICTIONS WHERE TRANSACTIONS FOR THE POOL MAY BE EFFECTED.

If the potential liability of a participant in the pool is greater than the amount of the participant's contribution for the purchase of an interest in the pool and the profits earned thereon, whether distributed or not, the commodity pool operator must make the following additional statement in the Risk Disclosure Statement, to be prominently disclosed as the last paragraph:

ALSO, BEFORE YOU DECIDE TO PARTICIPATE IN THIS POOL, YOU SHOULD NOTE THAT YOUR POTENTIAL LIABILITY AS A PARTICIPANT IN THIS POOL FOR TRADING LOSSES AND OTHER EXPENSES OF THE POOL IS NOT LIMITED TO THE AMOUNT OF YOUR CONTRIBUTION FOR THE PURCHASE OF AN INTEREST IN THE POOL AND ANY PROFITS EARNED THEREON. A COMPLETE DESCRIPTION OF THE LIABILITY OF A PARTICIPANT IN THIS POOL IS EXPLAINED MORE FULLY IN THE DISCLOSURE DOCUMENT.

TABLE OF CONTENTS

The Document must contain a Table of Contents showing, by subject matter, the location of the disclosures made in the Document. The Table of Contents must appear immediately following the Risk Disclosure Statement.

INTRODUCTION

The forepart of the Document must include the name, address of the main business office, main business telephone number and form of organization of both the pool and the CPO. If the mailing address of the main business office of either is a post office box number or is not within the United States, the Document must state where the books and records will be kept and made available for inspection. The forepart of the Document must state if the pool is privately offered pursuant to section 4(2) of the Securities Act of 1933, as amended or pursuant to Regulation D thereunder, a multi-advisor pool, a principal-protected pool and/or if it is continuously offered. If the pool is not continuously offered, the closing date of the offering must be disclosed. Finally, the date when the CPO first intends to use the Disclosure Document and the break-even point per unit of initial investment must also be included in the forepart of the Document.

THE CPO

The Document must identify, by name, the CPO and its principals as well as identify which principals will make trading decisions for the pool.

The Document must disclose the business background of the CPO and each of the principals who will participate in making trading or operational decisions for the pool, or who supervises persons so engaged, for the five years preceding the date of the Document. Officers and Directors are included among the principals whose business background is required. The business background should include at least the month and year of the effective date of its NFA membership and CFTC registration. The business background for each principal should include the dates of each period of employment, the name and main business of each employer, and the principal's functions while so employed.

This section should also include the location in the Document where any of the required past performance disclosures for the principals is presented.

THE TRADING MANAGER

A trading manager is any person, other than the CPO of the pool, who has sole or partial authority to allocate pool assets to CTAs or investee pools. If the pool will utilize a trading manager, the name of the trading manager and any principals must be disclosed in the Document. In addition, the business background of the trading manager and each principal who will participate in making trading or operational decisions for the pool or who supervises persons so engaged must be disclosed.

THE INVESTMENT PROGRAM

The Document must disclose the types of commodity interests and other interests which the pool will trade, including the approximate percentage of the pool's assets that will be used to trade commodity interests, securities and other types of interests, categorized by type of commodity or market sector, type of security, whether traded or listed on a regulated exchange market, maturity ranges and investment ratings. The Document must disclose the extent to which such interests are subject to regulation, the custodian or other entity which will hold such interests and if such interests will be held or if pool assets will be invested in a non-United States jurisdiction, the jurisdiction in which such interests or assets will be held or invested.

The Document must include a description of the trading and investment programs and policies that will be followed by the pool, and any material restrictions or limitations on trading. This description must include, if applicable, an explanation of the systems used to select CTAs, investee pools and types of investment activity to which pool assets will be committed.

USE OF PROCEEDS

The Document must disclose the manner in which the pool will fulfill its margin requirements and the approximate percentage of the pool's assets that will be held in segregation pursuant to the Act and the Commission's regulations thereunder. If the pool will fulfill its margin requirements with other than cash deposits, the nature of such deposits must be disclosed

and, if assets deposited by the pool as margin will generate income, the Document must state to whom that income will be paid.

PRINCIPAL RISK FACTORS

The Document must include a discussion of the principal risk factors of participation in the offered pool. The discussion must include, without limitation, the risks relating to volatility, leverage, liquidity, and counterparty creditworthiness, as applicable to the types of trading programs to be followed, trading structures to be employed and investment activity expected to be engaged in by the offered pool.

THE CTA(S)

The Document must identify, by name, each major CTA. A major CTA is any CTA that is currently or will be allocated 10 percent or more of the pool's assets. The Document must also disclose the names of all principals of those CTAs as well as identify which principals will make trading decisions for the pool.

The Document must disclose the business background(s) of the CTA(s) and each principal who will participate in making trading or operational decisions for the pool, or who will supervise persons so engaged, for the five years preceding the date of the Document. The Document must disclose the location in the Document where any of the required past performance disclosures for the principals is presented.

The Document must disclose the respective percentage of pool assets allocated to each CTA, a description of the nature and operation of the trading programs each CTA will follow, including the types of interests traded pursuant to such programs, and each CTA's historical experience trading such programs including material information as to volatility, leverage and rates of return and the length of time during which the CTA has traded such program.

INVESTEE POOLS

The Document must disclose the percentage allocation of pool assets invested in any major investee pool. A major investee pool is any pool in which 10 percent or more of the offered pool's net asset value is invested. For each major investee pool, the Document must include a description of the nature and operation of such pools, including for each pool the types of interests traded, material information as to volatility, leverage and rates of return for such pool and the period of its operation.

THE FUTURES COMMISSION MERCHANT

The Document must include the name of the futures commission merchant (FCM) through which the pool will execute its trades.

THE INTRODUCING BROKER

If the pool will use an introducing broker (IB) to introduce its trades, the name of the IB must be disclosed in the Document.

FEES

The Document must include a complete description of each fee, commission and other expense, which was incurred by the pool for its preceding

fiscal year, and those expected to be incurred by the pool for its current fiscal year.

- Wherever possible, the Document must specify the dollar amount of each such fee, commission and expense.
- Where any fee, commission or other expense is determined by reference to a base amount including, but not limited to, “net assets,” “allocation of assets,” “gross profits,” “net profits” or “net gains,” the Document must explain how such base amount will be calculated.
- Where any fee, commission or other expense is based on an increase in the value of the pool, the Document must specify how that increase is calculated, the period of time during which the increase is calculated, the fee, commission or other expense to be charged at the end of that period and the value of the pool at which time payment of the fee, commission or other expense commences.
- Where any fee, commission or other expense of the pool has been paid or is to be paid by a person other than the pool, the Document must disclose the nature and amount and the person who is expected to pay it.

BREAK-EVEN ANALYSIS

In order to ensure customers are aware of the impact fees and expenses have on the potential profitability of their investments, CPOs are required to disclose in a tabular presentation a calculation of the pool’s break-even point or the amount of trading income required for the pool’s net asset value (NAV) per unit at the end of one year to equal the selling price per unit. The break-even point must be expressed as a dollar amount and a percentage of the minimum unit of initial investment.

In order to calculate the break-even point, the CPO must determine the amount of all fees and expenses, exclusive of incentive fees, that are anticipated to be incurred by the pool during the first year of the investment. The total of these fees and expenses less the amount of any interest income expected to be earned by the pool represents the preliminary gross trading profits before incentive fees that would be necessary for the pool to retain its initial NAV per unit at the end of the first year.

In some situations it will be necessary to include in the calculation of the break-even point the additional trading profit that would be necessary to overcome any incentive fees to be incurred. This situation will arise whenever the incentive fee is based on something other than net profits, or when losses are not carried forward. In addition, it will arise when a CTA is trading a pool and the pool incurs expenses that are not deducted from the CTA’s net performance in calculating the CTA’s incentive fee. In order to calculate the additional trading profit necessary to overcome an incentive fee, you must first determine the incentive fees that would be incurred if the preliminary gross trading profits arrived at above were achieved and then divide that amount by $(1 - \text{incentive fee rate})$. For example, if the incentive fee is 25 percent, the denominator would be $(1 - .25)$, or .75.

The fees and expenses which are used to arrive at the preliminary gross trading profits will depend on the base amount that is used to assess the fee.

If the break-even point is expected to vary significantly based upon the size of the offering, as in the case of fixed expenses, then a second break-even point can be calculated based upon an assumed amount of total funds raised. In addition, the Document should also include what the break-even point would be if the minimum or maximum proceeds were raised.

Below is an example of a break-even analysis:

Selling price per unit	\$1,000
Operating expense (1)	10
Management fee (2)	20
Brokerage commissions and trading fees (3)	50
Less interest income (4)	30
Amount of trading income required for a participant's Net Asset Value at the end of one year to equal the initial selling price per unit	50
Percentage of actual selling price per unit	5%

Explanatory Notes:

(1) The pool pays for all accounting, auditing, legal and miscellaneous operating expenses incurred. Such expenses are estimated at 1.0 percent annually of the pool's Net Asset Value.

(2) The CPO will receive a monthly management fee of .1667 percent (2 percent annually) of the Net Asset Value.

(3) Estimated at five percent of Net Asset Value.

(4) The pool will earn interest on margin deposits with the commodity broker and from the investment of pool assets. Based upon approximate current interest rates, interest income is estimated at three percent of Net Asset Value.

In the above example, no incentive fee is included in the calculation. The CPO also makes the trading decisions for the pool and charges a quarterly incentive fee based upon New Net High Profits. New Net High Profits is defined as being net of all management fees, brokerage commissions and operating expenses and as such, the CPO does not receive an incentive fee until the pool generates trading income sufficient to offset such expenses. Based on the above analysis, the CPO would need to earn more than \$50 of gross trading income per unit before it would be entitled to an incentive fee.

CONFLICTS OF INTEREST

The Document must include a full description of any actual or potential conflicts of interest regarding any aspect of the trading program on the part of:

- The CPO;
- The pool's trading manager, if any;
- Any major CTA;

- The CPO of any major investee pool;
- Any principal of the above;
- Any other person providing services to the pool or soliciting participants for the pool;
- Any other material conflict involving the pool.

Included in the description of such conflicts must be any arrangement whereby a person may benefit, directly or indirectly, from the maintenance of the pool's account with an FCM or from the introduction of such account to an FCM by an IB (such as payment for order flow or soft dollar arrangements) or from an investment of pool assets in investee pools or funds or other investments.

RELATED PARTY TRANSACTIONS

The Document must contain a full description, including a discussion of the costs to the pool, of any material transactions or arrangements for which there is no publicly disseminated price between the pool and any person affiliated with a person providing services to the pool.

LITIGATION

The Document must disclose any material administrative, civil or criminal action, whether *pending or concluded*, within five years preceding the date of the Document, against the following persons (a concluded action that resulted in adjudication on the merits in favor of such person need not be disclosed):

- The CPO, the pool's trading manager, the pool's major CTAs, and the operators of the pool's major investee pools;
- Any principal of the foregoing; and
- The pool's FCM and IBs, if any.

With respect to an FCM or an IB, an action will be considered material if:

- The action would be required to be disclosed in the notes to the FCM's or IB's financial statements prepared pursuant to generally accepted accounting principles;
- The action was brought by the Commission (a concluded action that did not result in civil monetary penalties exceeding \$50,000 need not be disclosed unless it involved allegations of fraud or other willful misconduct); or
- The action was brought by any other federal or state regulatory agency, a non-United States regulatory agency or a self-regulatory organization and involved allegations of fraud or other willful misconduct.

Where a matter is material, its description must include a recital of the nature of the action, the parties involved, the allegations or findings, the status of the action and the size of any fine or settlement.

TRADING FOR ITS OWN ACCOUNT

If the CPO, the pool's trading manager, any of the pool's CTAs or any of their principals trades or intends to trade commodity interests for its own account, the Document must disclose whether participants will be permitted to inspect the records of such person's trades and any written policies related to such trading.

PRINCIPAL-PROTECTED POOLS

Principal-protected pools or "guaranteed pools" are those which are designed to limit the loss of the initial investment of participants. If the pool is a principal-protected pool, this must be stated in the forepart of the Document. In addition, the Document must describe the nature of the principal protection feature, the manner by which such protection will be achieved, including sources of funding, and what conditions must be satisfied for participants to receive the benefits of such protections. The Document must also specify when the protection feature becomes operative and disclose, in the break-even analysis, the costs of purchasing and carrying the assets to fund the principal protection feature or other limitations on risk, expressed as a percentage of the price of a unit of participation.

TRANSFERABILITY AND REDEMPTION

The Document must include a complete description of any restrictions upon the transferability of a participant's interest in the pool and a complete description of the frequency, timing and manner in which a participant may redeem interests in the pool. The description must specify the following:

- How the redemption value of a participant's interest will be calculated;
- The conditions under which a participant may redeem its interest, including the cost associated therewith;
- The terms of any notification required and the time between the request for redemption and payment;
- Any restrictions on the redemption of a participant's interest, including any restrictions associated with the pool's investments; and
- Any liquidity risk relative to the pool's redemption capabilities.

LIABILITY OF POOL PARTICIPANTS

The Document must disclose the extent to which a participant may be held liable for obligations of the pool in excess of the funds contributed by the participant for the purchase of an interest in the pool.

DISTRIBUTION OF PROFITS AND TAXATION

The Document must disclose the pool's policies with respect to payment of distributions from profits or capital and the frequency of such payments. The Document must also disclose the federal income tax effects of such payments for a participant, including a discussion of the federal income tax laws applicable to the form of organization of the pool and to payments from the pool. If the pool is specifically structured to accomplish certain federal income tax objectives, the CPO must explain those objectives, the manner in which they will be achieved and any related risks.

INCEPTION OF TRADING

The Document must disclose the minimum and maximum subscriptions that will be necessary for the pool to commence trading and the maximum subscriptions that may be contributed to the pool. The Document must disclose the maximum period of time the pool will hold funds prior to the commencement of trading and the disposition of funds received if the pool does not receive the necessary amount to commence trading, including the period of time within which the disposition will be made. The Document must state where these funds received prior to the commencement of trading will be deposited and to whom any income received from these deposits will be paid.

OWNERSHIP IN THE POOL

The Document must disclose the extent of any ownership in the pool held by the CPO, the pool's trading manager, the pool's major CTAs, the operators of the pool's major investee pools, and any of their principals.

REPORTING

The Document must state that the CPO is required to provide all participants with either monthly or quarterly (whichever applies) statements of account as well as a certified annual report. Account statements must be distributed at least monthly in the case of pools with net assets of more than \$500,000 at the beginning of the pool's fiscal year, and otherwise, at least quarterly.

MATERIAL INFORMATION

Nothing shall relieve a CPO of the obligation to disclose all material information to existing or prospective pool participants even if the regulations do not specifically require the information.

SUPPLEMENTAL INFORMATION

If any information other than that required by Commission rules, the antifraud provisions of the Act, other federal or state laws or regulations, rules of a self-regulatory agency or laws of a non-United States jurisdiction, is provided, such information:

- Must be included in the SAI;
- May not be misleading in content or presentation or inconsistent with required disclosures;
- Is subject to the antifraud provisions of the Act and Commission rules and to rules regarding the use of promotional material promulgated by a registered futures association;
- May include supplemental non-performance information relating to a required disclosure with the related required disclosure provided that it is included after all required disclosures;
- May include any other supplemental non-performance information as long as this information is presented after all required disclosures.

REQUIRED PERFORMANCE DISCLOSURES

All performance information presented in the Document must be current as of a date not more than three months preceding the date of the Document. All required performance information must be presented for the

most recent five calendar years and year-to-date or for the life of the pool or account if less than five years.

If the offered pool has at least a three-year operating history and at least 75% of the contributions to the pool were made by people unaffiliated with the pool's CPO, CTA or trading manager, the performance of the offered pool is all that is required to be disclosed in the Document. If the offered pool has less than a three-year operating history the Document must include the following:

- The performance of the offered pool. If the offered pool has no operating history, the Document must include the following statement prominently displayed: THIS POOL HAS NOT COMMENCED TRADING AND DOES NOT HAVE ANY PERFORMANCE HISTORY.
- The performance of each other pool operated or account traded by the CPO (and by the trading manager if the offered pool has a trading manager). If the CPO or the trading manager has not operated any commodity pool for at least three years, the Document must disclose the performance of each other pool operated or account traded by the trading principals of the CPO (and the trading manager, if applicable). If neither the CPO or trading manager (if any), nor any of its principals has operated any other pools or traded any other accounts, the Document must include the following statement prominently displayed: NEITHER THIS POOL OPERATOR (TRADING MANAGER, IF APPLICABLE) NOR ANY OF ITS TRADING PRINCIPALS HAS PREVIOUSLY OPERATED ANY OTHER POOLS OR TRADED ANY OTHER ACCOUNTS. If the CPO or trading manager is a sole proprietorship, reference to its trading principals may be deleted from the above statement.
- The performance of any accounts (including pools) directed by each major CTA. If a major CTA has not previously traded accounts, the Document must include the following statement prominently displayed: (name of the major commodity trading advisor), A COMMODITY TRADING ADVISOR THAT HAS DISCRETIONARY TRADING AUTHORITY OVER (percentage of the pool's funds available for commodity interest trading allocated to that trading advisor) PERCENT OF THE POOL'S FUTURES AND COMMODITY OPTION TRADING HAS NOT PREVIOUSLY DIRECTED ANY ACCOUNTS.
- The performance of any major investee pool. If the major investee pool has not commenced trading, the Document must include the following statement prominently displayed: (name of major investee pool), AN INVESTEE POOL THAT IS ALLOCATED (percentage of the pool assets allocated to that investee pool) PERCENT OF THE POOL'S ASSETS HAS NOT COMMENCED TRADING.
- The Document must provide a summary description of the performance history of all other CTAs and investee pools not required above, including monthly return parameters (highs and lows), historical volatility and degree of leverage, and any material differences between the performance of such advisors and pools

as compared to that of the offered pool's major trading advisors and major investee pools.

PERFORMANCE OF THE OFFERED POOL

The performance of the offered pool must be identified as such and presented first. The performance of the offered pool must include monthly rates of return (RORs) for the five most recent calendar years and year to date, either in a numerical table or in a bar graph, and annual and year-to-date RORs for the same time period. The disclosure of the past performance of the offered pool must also include the following information:

- The name of the pool;
- A statement as to whether the pool is privately offered, a multi-advisor pool, or a principal protected pool;
- The date of inception of trading;
- The aggregate gross capital subscriptions to the pool;
- The pool's current net asset value;
- The largest monthly draw-down during the most recent five calendar years and year-to-date, expressed as a percentage of the pool's net asset value and the month and year of the draw-down. A definition of the term draw-down must be included in the capsule.
- The worst peak-to-valley draw-down during the most recent five calendar years and year-to-date, expressed as a percentage of the pool's net asset value, as well as the period the draw-down occurred. The period begins with the peak month and year and ends with the valley month and year; and
- Any past performance presentation must be preceded with the following statement, prominently displayed: **PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

COMPUTING ROR

Refer to the Disclosure Requirements of CTAs for instructions on computing monthly and annual RORs.

COMPUTING AGGREGATE GROSS CAPITAL SUBSCRIPTIONS

The aggregate gross capital subscriptions is the total amount of all additions to the pool over its entire operating history. This should be a gross figure and not reduced by the withdrawals from the pool.

COMPUTING MONTHLY AND PEAK-TO-VALLEY DRAW-DOWNS

Refer to the Disclosure Requirements for CTAs for instructions on computing monthly and peak-to-valley draw-downs.

SAMPLE PERFORMANCE CAPSULE

Below is a sample performance capsule for an offered pool.

Name of Pool: Sample Commodity Pool

Type of Pool: Privately offered

Inception of Trading: January 1, 1989

Aggregate Subscriptions: \$1,673,000

Current Net Asset Value: \$1,925,000

Worst Monthly Percentage Draw-down: June 2001/16.87%

Worst Peak-to-Valley Draw-down: May 2001 through August 2001/30.34%

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE
OF FUTURE RESULTS

Month	Rate of Return					
	2004	2003	2002	2001	2000	1999
January	1.12%	2.43%	3.50%	2.56%	1.54%	0.69%
February	1.34%	3.11%	(2.30%)	1.96%	(0.89%)	(0.82%)
March		(0.23%)	1.60%	3.72%	1.15%	0.55%
April		1.16%	1.22%	4.66%	0.97%	1.06%
May		1.54%	(3.62%)	2.75%	1.21%	0.90%
June		0.32%	1.32%	(16.87%)	0.51%	1.12%
July		1.28%	1.15%	(9.87%)	0.11%	1.01%
August		1.12%	1.85%	(7.03%)	(0.14%)	0.93%
September		2.09%	0.87%	5.61%	0.56%	0.99%
October		1.34%	2.10%	4.23%	0.23%	1.01%
November		1.57%	0.90%	3.97%	1.11%	1.19%
December		1.04%	0.825%	3.81%	0.32%	1.14%
Year	2.47%	18.07%	9.61%	(3.47)%	6.86%	10.20%

Draw-down: Losses experienced by a pool or trading program over a specified period.

(A bar chart may be substituted for the numerical table. The bar chart, if used, must show percentage rate or return on the vertical axis and one-month increments on the horizontal axis. It must be scaled in such a way as to clearly show month-to-month differences in rate of return and must separately display numerical percentage annual rates of return for the period covered by the bar graph.)

OTHER PERFORMANCE TO BE DISCLOSED

If additional performance information is required to be disclosed, such other performance information need not include monthly RORs. Performance data for pools of the same class as the offered pool for which performance is required to be presented must appear after the performance of the offered pool on a pool-by-pool basis. For example, if the offered pool is privately offered, the performance of all other privately offered pools for which performance is required to be presented must be presented on a pool-by-pool basis. Other classes of pools include principal-protected pools and non-principal-protected pools and multi-advisor pools vs. single advisor pools. Monthly rates of return need not be presented for any pool or account other than the offered pool. Rather, only annual and year-to-date rates of return for the pools for the most recent five calendar years and year-to-date are required to be presented.

Performance data for pools of a different class than the offered pool must be presented less prominently, and, unless such presentation would be misleading, may be presented in composite form. Only pools of the same class may be included in a composite and they may not differ materially with respect to rate of return. Furthermore, if pool performance is compositized, the Disclosure Document must disclose how the composite was developed and the material differences among the pools included in the same composites including differences in leverage and the different trading programs used by the pools. Again, only annual rates of return are required to be disclosed for pools other than the offered pool.

PROPRIETARY TRADING RESULTS

Proprietary trading results means the performance of any pool or account in which 50 percent or more of the beneficial interest is owned or controlled by: 1) the CPO, trading manager, CTA, or any principal thereof; 2) an affiliate or family member of the CPO, trading manager or CTA; or 3) any person providing services to the account. Proprietary trading results may not be included in a Document unless such performance is prominently labeled as proprietary and is set forth separately after all disclosures. Proprietary trading results must include a discussion of any differences between such performance and the performance of the offered trading program, including, but not limited to, differences in costs, leverage and trading methodology.

HYPOTHETICAL RESULTS

Hypothetical performance results are any performance results derived with the benefit of hindsight. NFA generally discourages the use of hypothetical performance results but also recognizes that in certain circumstances the presentation of these results may have some limited utility. Hypothetical, extracted, pro-forma, or simulated results may not be shown for any program for which the Member has three months of actual trading results trading either customer or proprietary accounts. In situations where a Member elects to present hypothetical performance results for a trading program which has less than three months of actual performance the Member must adhere to the following requirements in order to prevent the overemphasis of the hypothetical performance results:

- The trading results must appear as the last disclosure in the document.
- If the Member has less than one year of experience in directing customer accounts, past performance results must be shown for the trader's proprietary trading over the last five years or over the entire performance history if less than five years.
- The following disclaimer must be prominently displayed. If the person for whom the hypothetical results are being shown has less than 12 months of actual results. The disclaimer must immediately precede the hypothetical results; otherwise it may be displayed immediately following the results. If several pages of hypothetical results are shown, the disclaimer may need to be included more than once.

HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS ACHIEVED BY ANY PARTICULAR TRADING PROGRAM.

ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.

- If the Member for whom the hypothetical results are shown has either less than one year experience in directing customer accounts or trading of proprietary accounts, the disclaimer must also contain the following statement:

(NAME) HAS HAD LITTLE OR NO EXPERIENCE IN TRADING ACTUAL ACCOUNTS FOR ITSELF OR FOR CUSTOMERS. BECAUSE THERE ARE NO ACTUAL TRADING RESULTS TO COMPARE TO THE HYPOTHETICAL PERFORMANCE RESULTS, CUSTOMERS SHOULD BE PARTICULARLY WARY OF PLACING UNDUE RELIANCE ON THESE HYPOTHETICAL PERFORMANCE RESULTS.

- Any hypothetical results must include a description of all material assumptions that were made in preparing the hypothetical results. At a minimum, this description must cover points such as initial investment amount, reinvestment or distribution of profits, commission charges, management and incentive fees, and the method used to determine purchase or sale prices for each trade. Any disclosure which is necessary to place the hypothetical results in their proper context must be made. This may go well beyond the prescribed disclaimer.

If a Member includes or makes reference to a hypothetical composite performance record showing what a multi-advisor account portfolio or pool could have achieved in the past if assets had been allocated among particular trading advisors, the document must include the following disclaimer:

THIS COMPOSITE PERFORMANCE RECORD IS HYPOTHETICAL AND THESE TRADING ADVISORS HAVE NOT TRADED TOGETHER IN THE MANNER SHOWN IN THE COMPOSITE. HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY MULTI-ADVISOR MANAGED ACCOUNT OR POOL WILL OR IS LIKELY TO ACHIEVE A COMPOSITE PERFORMANCE RECORD SIMILAR TO THAT SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN A HYPOTHETICAL COMPOSITE PERFORMANCE RECORD AND THE ACTUAL RECORD SUBSEQUENTLY ACHIEVED.

ONE OF THE LIMITATIONS OF A HYPOTHETICAL COMPOSITE PERFORMANCE RECORD IS THAT DECISIONS RELATING TO THE SELECTION OF TRADING ADVISORS AND THE ALLOCATION OF ASSETS AMONG THOSE TRADING ADVISORS WERE MADE WITH THE BENEFIT OF HINDSIGHT BASED UPON THE HISTORICAL RATES OF RETURN OF THE SELECTED TRADING ADVISORS. THEREFORE, COMPOSITE PERFORMANCE RECORDS INVARIABLY SHOW POSITIVE RATES OF RETURN. ANOTHER INHERENT LIMITATION ON THESE RESULTS IS THAT THE ALLOCATION DECISIONS REFLECTED IN THE PERFORMANCE RECORDS WERE NOT MADE UNDER ACTUAL MARKET CONDITIONS AND, THEREFORE, CANNOT COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FURTHERMORE, THE COMPOSITE PERFORMANCE RECORD MAY BE DISTORTED BECAUSE THE ALLOCATION OF ASSETS CHANGES FROM TIME TO TIME AND THESE ADJUSTMENTS ARE NOT REFLECTED IN THE COMPOSITE.

EXTRACTED PERFORMANCE

Extracted performance occurs when a Member chooses only one component of its overall past trading results to highlight to customers. The use of extracted performance results is permitted only when a CPO's or CTA's previous Disclosure Document designated the percentage of assets which would be committed toward that particular component of the overall trading program. For example, if the previous Disclosure Document stated that 25 percent of a fund's assets would be dedicated to trading financial futures contracts, and if 25 percent of the fund's assets were in fact dedicated to trading financial futures contracts, the CPO would be allowed to present the extracted performance of its financial futures trading based on net asset values equal to

Copies of all Disclosure Documents must be filed with NFA. Documents may either be mailed or filed electronically. NFA's e-mail address is *ddoc@nfa.futures.org*. Firms who submit documents electronically to this address will receive confirmation of receipt within 24 hours of filing. If you do not receive confirmation within 24 hours, please contact NFA at 312-781-1410. Copies of all subsequent amendments or updated Documents must also be submitted to NFA using the same procedures.

NFA is responsible for conducting the reviews of all Disclosure Documents including Disclosure Documents for CTAs, privately offered commodity pools, and public pools or those which are required to register their securities under the Securities Act of 1933.

Prior to using a Disclosure Document, the Document must be submitted to NFA and a written acceptance letter from NFA must be received by the Member confirming that the Document can be used to solicit.

NFA's goal is to complete its initial review of a Disclosure Document within 14 days of its receipt. Once NFA completes its review, it will communicate either its acceptance of the Document or any deficiencies. In most instances the Member will be required to correct the deficiencies before the Document will be accepted.

NFA's review is designed to ensure that Documents submitted contain all of the required information and that such information is consistent with information on record with NFA. NFA's review process does not attempt to verify the accuracy of the information contained in the Document. It is the responsibility of the Member to ensure it does not use a Document that it knows to be materially inaccurate or incomplete. During the course of an NFA examination, a Member's Document may be reviewed again, with the objective of ensuring consistency between the firm's business operations and the information included in the Document. As a result, the receipt of an acceptance letter upon filing a Disclosure Document with NFA may not prevent NFA or the CFTC from raising issues with regard to the Document at some future time.

Once a Member has filed a Disclosure Document with NFA that has been accepted, subsequent Disclosure Documents may be eligible for instant filing, which results in an expedited review process. Instant filing is available for Documents which do not contain material changes from a previous filing that has been accepted by NFA or for Documents for new pool offerings that are substantially similar to Documents of other pools operated by the CPO that have been accepted by NFA and finally for Documents of pools that will be operated pursuant to an exemption under CFTC Regulation 4.12(b). In order to qualify for instant filing relief, the Member must attach a cover letter to the Document that requests instant filing treatment of the Document and states that there are no material changes from a previous filing that has been accepted by NFA. Furthermore, the Member must highlight any changes from the previous filing in the body of the Document. Documents which qualify for instant filing treatment are usually reviewed within two or

three business days. In those cases, NFA relies on the Member firm's representation of the changes made to the Document and generally limits its review to only those changes identified by the firm.

On the same day that a Document has been received by NFA, it is logged into NFA's computer system and assigned a reviewer. On any given day an individual can contact NFA's Information Center at (312) 781-1410 or (800) 621-3570 and learn the status of a Document. NFA's Information Center will have information indicating which individual in the Compliance Department is responsible for reviewing the Document, whether the Document is under review or whether the Document has been accepted for filing or a comment letter has been sent.

Furthermore, members of NFA's Disclosure Document Review Team are available to answer questions concerning Disclosure Document preparation and other issues relating to CPOs and CTAs at any time. If a Member has a specific question about a Document, they can ask to speak to the reviewer personally.

AVAILABLE RELIEF FOR ACCOUNTS/POOLS OF SOPHISTICATED INVESTORS

Pursuant to CFTC Regulation 4.7, commodity pools whose participants are limited to qualified eligible persons (QEPs) and commodity trading advisors who direct the accounts of QEPs, as defined in the chart on page 42, may claim relief from providing such participants or accounts with a Disclosure Document as well as certain recordkeeping requirements.

In order to claim any or all of the relief available under CFTC Regulation 4.7, the Member must file a written Claim for Exemption. For CPOs requesting relief from having to prepare a Disclosure Document, the notice must be filed prior to any offer or sale of any participation in the exempt pool. CTAs must file the notice before entering into an agreement to direct or guide the commodity interest accounts of a QEP. A copy of the notice must be filed with NFA.

Notices filed by CPOs for 4.7 exempt pools must include the following information:

1. The name, main business address, main business telephone number and the NFA ID of the CPO;
2. The name(s) of the pool(s) for which the request is made;
3. Representation that (1) neither the CPO nor any of its principals is subject to any statutory disqualification under section 8(a)(2) or 8a(3) of the Commodity Exchange Act unless such disqualification arises from a matter which was previously disclosed in connection with a previous application for registration if such registration was granted or which was disclosed more than 30 days prior to the filing of the notice; (2) the CPO will comply with the applicable requirements of CFTC Regulation 4.7; and (3) the exempt pool will be offered and operated in compliance with the applicable requirements of CFTC Regulation 4.7;
4. The specific relief claimed under CFTC Regulation 4.7;
5. The closing date of the offering or a statement that the offering will be continuous;
6. The signature of a representative who is duly authorized to bind the CPO.

Notices filed by CTAs for 4.7 exempt accounts must include the following information:

1. The name, main business address, main business telephone number and the NFA ID of the CTA;
2. Representation that the CTA anticipates providing commodity interest trading advice to QEPs and that it will comply with the applicable requirements of CFTC Regulation 4.7 with respect to accounts of such clients;
3. Representation that neither the CTA nor any of its principals is subject to any statutory disqualification under section 8(a)(2) or 8a(3) of the Commodity Exchange Act unless such disqualification arises from a matter which was previously disclosed in connection with a previous

application for registration if such registration was granted or which was disclosed more than 30 days prior to the filing of the notice;

4. The specific relief claimed under CFTC Regulation 4.7;
5. The signature of someone who is duly authorized to bind the CTA.

AVAILABLE RELIEF FOR OFFSHORE POOLS

Pursuant to CFTC Advisory No. 18-96, registered CPOs who operate offshore commodity pools may also be eligible for relief from preparing a Disclosure Document and from other CFTC Requirements which include relief from having to maintain original books and records for the offshore pool in the U.S. In order to be eligible for such relief, the CPO must be able to make the following representations with regard to the offshore commodity pool: (1) the CPO claiming relief is registered as a CPO with the CFTC; (2) the commodity pool is and will remain, organized and operated outside the U.S.; (3) the pool will not hold meetings or conduct administrative activities within the U.S.; (4) no shareholder of, or other participant in, the pool is or will be a U.S. person; (5) the pool will not receive, hold or invest any capital directly or indirectly contributed from sources within the U.S.; and (6) the CPO, the pool, and any affiliated person will not undertake any marketing activity for the purpose, or that could reasonably be expected to have the effect, of soliciting participation from U.S. persons. Under this same advisory, CPOs of offshore commodity pools may claim any or all of the relief available under CFTC Advisory No. 18-96 by filing a written Claim for Exemption. A copy of the Claim must be filed with NFA. The Notice must include the following information:

1. The name, business address, business telephone number and the NFA ID of the CPO claiming relief;
2. The name(s) of the commodity pool(s) for which the request is made;
3. Representations that neither the CPO nor any of its principals is subject to any statutory disqualification under section 8(a)(2) or 8a(3) of the Commodity Exchange Act unless such disqualification arises from a matter which was previously disclosed in connection with a previous application for registration if such registration was granted or which was disclosed more than 30 days prior to the filing of the notice;
4. The specific rules from which the CPO seeks relief and representations as indicated above for obtaining this relief;
5. Where relief is requested from maintaining the original books and records of the offshore pool at the CPO's U.S. address, the Notice must provide the name, title, full mailing address, telephone number and relationship to the commodity pool of the person who will have custody of the pool's original books and records and the location outside the U.S. where those books and records will be kept;
6. The CPO's signature. If the CPO is a sole proprietorship, the Notice must be signed by the sole proprietor; if a partnership, by a general partner; and if a corporation by the chief executive officer.

AVAILABLE RELIEF FOR SECURITIES POOLS

CPOs which operate commodity pools that are offered and sold pursuant to the Securities Act of 1933, that generally engage in securities trading and that invest no more than 10 percent of the pool's net asset value in commodities for which trading is solely incidental to its securities trading may claim relief from certain CFTC regulations. Such CPOs may claim relief from having to include the required Cautionary Statement, Risk Disclosure Statement and performance disclosures in the exempt pool's Disclosure Document. In addition, CPOs of such pools may claim relief from some of the CFTC's reporting and recordkeeping requirements.

In order to claim any or all of the relief available under CFTC Regulation 4.12(b), the Member must file a written Claim for Exemption before the date the commodity pool first enters into a commodity interest transaction. A copy of the notice must be filed with NFA.

Notices filed for 4.12(b) exempt pools must include the following information:

1. The name, main business address, main business telephone number of the registered CPO;
2. The name(s) of the pool(s) for which the request is made;
3. Representation that the pool will be operated in compliance with CFTC Regulation 4.12(b)(1)(i) and the pool operator will comply with the requirements of CFTC Regulation 4.12(b)(1)(ii);
4. The specific relief claimed under CFTC Regulation 4.12(b)(2);
5. The signature of someone who is duly authorized to bind the CPO.

CFTC Regulation 4.7 Summary

A Qualified Eligible Person (QEP) is:	Must Meet Portfolio Requirement to Qualify
• FCM	No
• Broker/Dealer	No
• CPO which has been registered and active for 2 years or has >\$5,000,000 in assets	No
• CTA which has been registered and active for 2 years or has >\$5,000,000 in assets	No
• Investment adviser which has been registered and active for 2 years or has >\$5,000,000 in assets	No
• Qualified Purchaser	No
• Knowledgeable Employee	No
• CPO, CTA, IA for the exempt pool or account (see note below)	No
• Principal of CPO, CTA IA for the exempt pool or account (see note below)	No
• Employee of CPO, CTA, IA for the exempt pool or account involved in investment activities for 1 year (see note below)	No
• Employee or agent of CPO, CTA, IA for the exempt pool or account involved in legal, accounting, auditing or financial services activities for 2 years and is an accredited investor (see note below)	No
• Trust not formed to invest in exempt pool or account with trustee being a QEP	No
• Organization described in Sec. 501(c)(3) of the Internal Revenue Code with trustee being a QEP	No
• Non-U.S. person or entity	No
• An entity in which all participants are from any of the above groups	No
• 4.5 entity with all QEP investors	No
• Registered investment company	Yes
• Bank	Yes
• Insurance company	Yes
• Plan, with >\$5,000,000 in assets, for employees of a state or political subdivision	Yes
• Employee benefit plan with >\$5,000,000	Yes
• Private business development company	Yes
• Organization described in Sec. 501(c)(3) of the Internal Revenue Code with >\$5,000,000 in assets	Yes
• Corporation, trust, partnership with >\$5,000,000 not formed to invest in exempt pool	Yes
• Person with net worth >\$1,000,000	Yes
• Person with net income >\$200,000 each of last 2 yrs. or >\$300,000 when combined with spouse	Yes
• Pool, trust separate account, collective trust with >\$5,000,000 in assets	Yes
• Certain governmental entities	Yes

Note: May also include spouse, child, sibling or parent if investment is made with knowledge and direction or a company, estate or any person acquiring participation by gift, bequest, separation or divorce from one of these persons.

Portfolio Requirement

- Owns securities with a market value >\$2,000,000
- Has had on deposit at FCM, in last 6 months, >\$200,000 in margin and option premiums
- Has combination of securities and FCM deposits. The percentages of required amounts must = 100%.

Sample 4.7(b) Claim for Exemption

NOTICE OF CLAIM PURSUANT TO
COMMODITY FUTURE TRADING COMMISSION
Regulation 4.7(b) UNDER THE
COMMODITY EXCHANGE ACT, AS AMENDED

The undersigned, _____ (the "Claimant"), a registered commodity pool operator, hereby files this NOTICE OF CLAIM pursuant to Commodity Futures Trading Commission ("CFTC") Regulation 4.7.

1. Name of Claimant:

Main business address of Claimant:

Main business telephone number of Claimant:

NFA ID No. of Claimant:

2. Name of exempt pool for which this request is made:

3. (Name of exempt pool) will be open only to qualified eligible persons.

4. The Claimant represents that neither the Claimant nor its principals is subject to any statutory disqualifications under sections 8a(2) or 8a(3) of the Commodity Exchange Act; the Claimant will comply, and (name of exempt pool) will be offered and operated in compliance, with the requirements of CFTC Regulation 4.7

5. The Claimant seeks relief on behalf of (name of exempt pool) from CFTC Regulations 4.21, 4.22, 4.23, 4.24, 4.25 and 4.26, in each case to the full extent permitted under CFTC Regulation 4.7.

6. The offering of (name of exempt pool) for which this request is made will be continuous.

By: _____

(Title)

**NOTICE OF CLAIM PURSUANT TO
COMMODITY FUTURE TRADING COMMISSION
RULE 4.7(c) UNDER THE
COMMODITY EXCHANGE ACT, AS AMENDED**

The undersigned, _____ (the "Claimant"), a registered commodity trading advisor, hereby files this NOTICE OF CLAIM pursuant to Commodity Futures Trading Commission ("CFTC") Regulation 4.7.

1. Name of Claimant:
Main business address of Claimant:
Main business telephone number of Claimant:
NFA ID No. of Claimant:
2. (Name of Claimant) anticipates providing commodity interest trading advice to qualified eligible persons (as defined in CFTC Regulation 4.7(a)(2)) and will comply with the applicable requirements of 4.7 with respect to accounts of such persons;
3. The Claimant represents that neither the Claimant nor its principals are subject to any statutory disqualifications under sections 8a(2) or 8a(3) of the Commodity Exchange Act;
4. The Claimant seeks relief from the following regulations: CFTC Regulations Rule 4.31, 4.34, 4.35 and 4.36, in each case to the full extent permitted under CFTC Regulation 4.7.

By: _____
(Title)

NOTICE OF CLAIM PURSUANT TO
COMMODITY FUTURES TRADING COMMISSION
DIVISION OF TRADING AND MARKETS ADVISORY NUMBER 18-96

The undersigned, _____, (the "Claimant"), a registered commodity pool operator, hereby files this NOTICE OF CLAIM pursuant to Commodity Futures Trading Commission ("CFTC"), Division of Trading and Markets Advisory Number 18-96.

1. Name of Claimant:

Main business address of Claimant:

Main business telephone number of Claimant:

NFA ID No. of Claimant:

2. Name of exempt pool for which this request is made:

3. The Claimant represents that:

1. The Claimant is registered as a commodity pool operator with the CFTC;
2. The pool is, and will remain, organized and operated outside the United States;
3. The pool will not hold meetings or conduct administrative activities within the U.S.;
4. No shareholder of, or other participant in, the pool is or will be a U.S. person;
5. The pool will not receive, hold or invest any capital directly or indirectly contributed from resources within the U.S.; and
6. The Claimant, the pool and any person affiliated therewith will not undertake any marketing activity for the purpose, or that could reasonably be expected to have the effect, of soliciting participation from U.S. persons.

4. The Claimant represents that:

1. The Claimant will maintain original books and records of the pool at the main office of the pool located outside the U.S.;
2. The Claimant desires to maintain such books and records outside the U.S. in furtherance of compliance with Internal Revenue Service requirements for relief from U.S. federal income taxation;
3. The Claimant will maintain duplicate books and records of the Pool at a designated office in the United States; and
4. Within 72 hours after the request of a representative from the CFTC, the U.S. Department of Justice or National Futures Association, the original books and records will be provided to such representative at a place located in the U.S. that is specified by the representative.

5. The person who will have custody of the original books and records of the pool is:

Name:

Title and Relationship to the Pool:

And the location where such books and records will be kept is:

6. The Claimant represents that neither the Claimant nor any of its principals is subject to any statutory disqualification under sections 8a(2) or 8a(3) under the Commodity Exchange Act.
7. On behalf of the pool, the Claimant seeks relief from CFTC Regulations 4.21, 4.22, 4.23(a)(10) and (a)(11), as well as the requirements of CFTC Regulation 4.23 regarding location of the pool's books and records, in each case to the full extent permitted under the Advisory.

By: _____

General Partner

Sample 4.12(b) Claim for Exemption

NOTICE OF CLAIM PURSUANT TO
COMMODITY FUTURE TRADING COMMISSION
RULE 4.12(b)

The undersigned, _____ (the "Claimant"), a registered commodity trading advisor, hereby files this NOTICE OF CLAIM pursuant to Commodity Futures Trading Commission ("CFTC") Regulation 4.12(b).

1. Name of Claimant:

Main business address of Claimant:

Main business telephone number of Claimant:

2. The name of the pool for which relief is being requested is:

3. The Claimant represents that the pool will be operated in compliance with CFTC Regulation 4.12(b)(1)(i) and (name of CPO) will comply with the requirements of CFTC Regulation 4.12(b)(1)(ii).

4. The undersigned claims relief pursuant to CFTC Regulation 4.12(b)(2)(i) through (iv).

Name of CPO

By: _____

(Title)

Members of NFA's Disclosure Document Review Team are always available to help Members prepare Disclosure Documents and to help them understand the applicable NFA Rules and CFTC Requirements. However, Members who require a more formal interpretation of CFTC Regulations or would like a "Pass" from having to comply with certain CFTC Regulations must file such a request with the CFTC.

Methods for the Commission's staff to express its views include the issuance of letters concerning interpretations of aspects of the Commodity Exchange Act or the Commission's regulations or advice that a particular division will not recommend that the Commission institute an enforcement action against a person based on a particular course of conduct or transaction. Upon receiving an appropriate request, the Commission's staff may consider issuing either an "Exemptive Letter," a "No-action Letter" or an "Interpretative Letter."

An "Exemptive letter" means a written grant of relief from the applicability of a specific provision of The Act or of a rule. An Exemptive Letter is a more formal ruling compared to the other Letters, and binds both the Commission and its staff with respect to the relief it provides. Only the person or persons on whose behalf the Letter is sought (each such person is termed a "Beneficiary") may rely upon the Exemptive Letter.

A "No-Action Letter" means a written statement issued by Commission staff that such staff will not recommend enforcement action to the Commission for failure to comply with a specific provision of the CEA or a Commission rule, regulation or order, if a proposed transaction is completed or a proposed activity is conducted. Only the beneficiary may rely upon the No-Action Letter.

An "Interpretative Letter" means written advice or guidance issued by Commission staff. Persons in addition to the Beneficiary may rely upon an Interpretative Letter.

Letters issued by the Commission's staff, together with the requests and other written communications to which the Letters respond, are made publicly available as soon as practicable after a Letter has been issued. The Commission's Web site (<http://www.cftc.gov>) contains a summary, but not the full text, of all Letters that were issued and made publicly available from December 1994 to present.

If a Member would like to request an Exemptive, No-Action, or Interpretative Letter, formal procedures exist for the filing of such requests. In addition, whether or not a Letter is issued is entirely within the discretion of Commission staff. Members interested in filing a request with the CFTC should obtain a copy of CFTC Regulation 140.99 to learn about the specific filing requirements.

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