

DISCLOSURE DOCUMENT OF



**FINANCIAL COMMODITY INVESTMENTS (FCI)**

**A VIRGINIA CORPORATION REGISTERED WITH THE  
COMMODITY FUTURES TRADING COMMISSION AS A  
COMMODITY TRADING ADVISOR**

**OPTION SELLING STRATEGY**

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**THE COMMODITY FUTURES 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.**

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**THE DATE OF THIS DISCLOSURE DOCUMENT IS OCTOBER 15, 2009 AND THIS DISCLOSURE DOCUMENT MAY NOT BE UTILIZED AFTER JUNE 15, 2010.**

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**NO PERSON IS AUTHORIZED BY FINANCIAL COMMODITY INVESTMENTS (FCI) TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS DISCLOSURE DOCUMENT.**

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## **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 "STOPLOSS" 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 ADVISOR 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 7, 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 9.

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.

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 THESE TRADING PROGRAMS DIRECTLY WITH A FUTURES COMMISSION MERCHANT.

**FINANCIAL COMMODITY INVESTMENTS (FCI)**

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## FINANCIAL COMMODITY INVESTMENTS (FCI)

### Introduction

FINANCIAL COMMODITY INVESTMENTS (“FCI”) was organized under the laws of the Commonwealth of Virginia in November 2005 for the purpose of offering investment advisory and portfolio management services to investors which seek to achieve both capital appreciation of its assets and current income by making investments which FCI believes offers significant potential opportunities for growth and income.

The primary trading strategy of Options Selling Strategy (the “Program”) is to sell, on behalf of a client, options on futures contracts. An option on a futures contract gives the purchaser of the option the right but not the obligation to take a position at a specified price (the “striking,” “strike” or “exercise” price) in the underlying futures contract. The purchase price of an option is referred to as its “premium” and is paid to the seller of the option. As the seller (or writer) of an option, the clients of FCI will earn the premiums paid by the option buyers.

If the option expires without being exercised (which is what FCI anticipates will happen), the client (as the option writer) retains the full amount of the premium. It should be emphasized, however, that the seller of an option has unlimited risk if the market moves against its positions. In order for the Program to be profitable, FCI must properly manage this risk.

FCI has been a registered commodity trading advisor (“CTA”) and Member of the National Futures Association (“NFA”) from January 9 and January 31<sup>st</sup> 2006, respectively, until March 8, 2009; and then from May 12, 2009 until present (and with FCI’s gap in registration as a result in a restructuring with its affiliate, Financial Investments, Inc., which is also a registered CTA doing business as FCI and having serviced the accounts in the interim period). FCI’s principal place of business is located at 462 Herndon Parkway, Suite 205, Herndon, Virginia 20170; telephone (703) 435-2777; Fax (703) 787-0111. *The registration of FCI with the CFTC and FCI’s membership in NFA must not be taken as an indication that any such agency or self-regulatory body has recommended or approved FCI or the program offered hereby.*

Clients should not open a managed account with FCI unless they are familiar with the options on commodities and have sufficient knowledge and experience in financial and business matters to render them capable of evaluating the merits and risks of the prospective investment.

The minimum account size is \$50,000, provided that FCI may in its discretion waive the minimum account size. Clients should view an account as a long-term investment with the objective of seeking capital appreciation over time. At inception, an account in the Program will encounter a startup period during which it may incur certain risks related to the initial investment of assets. In an effort to manage such risk, FCI has developed procedures governing the appropriate timing for the commencement of trading and the appropriate means of moving toward full portfolio commitment for a new account. Due to general market conditions, an account may experience short-term unrealized losses while moving toward a “full portfolio commitment.” (FCI will identify and make an initial investment when a market opportunity presents itself, and will make follow-on investments as further opportunities are presented - once an account has reduced its initial cash balance and invested *pari passu* with a model account or is situated similar to a majority of the accounts in the Program it is deemed to be at a “full portfolio commitment.”) Based on the foregoing, and in an effort to avoid drawdowns that may be associated over the short-term horizon, an account is subject to a three (3) month “lock-up” period whereby an account will be prohibited from redeeming monies in the Program until the expiration of three (3) full calendar months proceeding the date of the initial investment. FCI may, in sole and absolute discretion, permit an account to withdraw capital prior to meeting this lock-up period.

The following description of FCI and its trading methods and strategies is general and is not intended to be exhaustive. Commodity trading methods are proprietary and complex, so only the most general descriptions are possible; no attempt has been or could be made to provide a precise description of FCI’s strategy. While FCI believes that the description of FCI’s methods and strategies included herein may be of interest to prospective clients, such persons must be aware of the inherent limitations of such description.

The composite performance data of all client accounts managed by FCI pursuant to the Program or otherwise may be found on pages eighteen (18) and nineteen (19). The performance of the Program has, to date, been employed in a proprietary trading account of FCI. The performance of this account may be found on page twenty (20).

## **Investment Program**

The goal of FCI is to achieve appreciation with the use of alternative investment strategies. FCI attempts to obtain consistent quarterly returns that exceed those of the equity market and to protect capital against adverse market trends.

The Program engages in the selling or “writing” options (puts and calls) on futures contracts in the natural gas, crude oil, coffee, soybeans, corn, and financial currency markets, among others. However, in the future, FCI may trade a broader portfolio of options, futures and cash markets. In doing so FCI reserves the right to place trades in any commodity futures contract or option contract thereon, on any exchange, foreign or domestic, at FCI's sole discretion.

FCI has extensive research and knowledge in the area of selling far out of the money (“OTM”) options. Historically, about 90% of the purchasers' of options are net losers on their purchased investment in options. Many of the purchasers of options are making this investment merely as an insurance investment; allowing them to hedge their underlying commodity from a substantial decrease in value. This is done as insurance to protect against a substantial increase or decrease of their underlying investment. Other purchasers of options of commodities are speculators. These speculators are playing calculated odds, assuming that an event may occur, causing a substantial shift in the value of an underlying commodity.

FCI uses an approach to trading that relies heavily on selling or “writing” options on futures contracts. FCI may also, from time to time, purchase options and may employ the use of hedge strategies such as option spreads, strangles, straddles, or may purchase or sell futures to offset an open option position.

The implementation of this trade program depends on both technical and fundamental considerations. Technical analysis involves the study of charted prices, volumes, momentum, strengths, and moving averages to determine the future course of prices. Technical indicators also include the prices of various options, both in absolute terms in relation to their historic price level, and in relative terms comparing the prices of puts to the prices of similar calls. Fundamental considerations include the condition of the market, the trend and volatility of the markets, supply and demand, as well as business and economic factors, governmental policies, weather, and other worldwide events, which can influence the markets.

FCI utilizes a market neutral trading strategy that does not attempt to forecast market direction. FCI sells options on futures to initiate market neutral positions by simultaneously writing (selling) OTM call and put options, followed by appropriate adjustments based on movement of the underlying futures contract. Profits are derived when the price of the options that have been written (sold) declines such that the options can be purchased for amounts less than the price at which those options were initially sold. Profits also are realized when options expire worthless, providing full profit on the option premium sold (after commission and other fees). FCI's primary trading philosophy is for profits to be made when the value of options are reduced as a function of time, rather than a function of market direction.

The profitability of a trading program consisting of selling options on a futures contract depends upon the subsequent price movement of the underlying contract. For example if FCI writes puts on an index, and the puts are not bought in before their expiration, the strategy will be profitable if the index is above the strike price of the put when the put expires. If the price of the underlying contract is below the strike price of the put when the put expires, the strategy may potentially produce a loss.

Conversely, if FCI writes calls on a futures contract, and the calls are not bought in before their expiration, the strategy will be profitable if the underlying contract is below the strike price of the call when the call expires. If the price of the underlying contract is above the strike price of the call when the call expires, the strategy may potentially produce an unlimited loss.

It is the intention of FCI to write options that are at least 10% to 20% out of the money from the price of the underlying futures contract. “Out-of-the-money” puts have strike prices below the current price of the underlying futures contract, and “out-of-the-money” calls have strike prices above the current price.

The price of the underlying futures contract determines whether the option expires without being exercised (which is what FCI anticipates will happen) or whether the option is exercised because it is “in-the-money.” Prices on futures contracts are volatile. Price movements of these contracts are influenced by a wide variety of complex and hard to predict factors, such as: government trade, fiscal, monetary and exchange control programs and policies; national and

international political and economic events; changes in interest rates; and prevailing psychological characteristics of the marketplace. The profitability of FCI's options program may depend on anticipating trends in the volatile price movements of futures contracts.

FCI has developed a proprietary strategy for finding, measuring, monitoring, investing, and recognizing the commendable returns for option selling. Real time pricing information is used and is compared to the additional numerous amounts of financial data available. Information used to influence the investing decisions includes:

- The historical pricing patterns of the underlying assets and/or indices;
- The historical and current implied volatility and is compared to the commodity's historical and current volatility;
- The commodity's price movement;
- Current press release and financial forecasted data of an commodity;
- The liquidity of an underlying asset and its related option.

An investment of option selling is done with the strategy of selling options that are targeted to expire within one to six months of expiration. The current price of the underlying commodity, the volatility of the commodity, and the amount of time left until expiration, all are factored in determining the calculated percent of probability for FCI's investment strategy to be profitable.

The entire investment portfolio is further monitored, by consistently calculating the expected returns, using discounted probabilities of options expiring out of the money and the estimated monthly premiums received on an annual basis. The portfolio is monitored and adjusted so that maximum annualized returns are achieved with minimal additional risk. The portfolio is further adjusted based on the financial markets. By collecting premiums from the selling of far out of the money options, commendable annualized returns can be achieved. And it is this strategy that allows investors to attain commendable returns, in an environment, that is not dependent on whether the financial markets are in an increasing, decreasing, and/or stagnant mode.

FCI utilizes extensive research material to find and identify specific commodities and the underlying option contracts appropriate for these strategies. FCI's investment manager, Craig B. Kendall, is also experienced and versed in the measurement of the risk and returns associated with these alternative investment strategies.

The amount of an account's net assets committed to margin and option premiums will vary as a result of market volatility, among other reasons. On average, 20% to 40% of net assets of an account will be committed to margin and option premiums, although, due to market conditions, the amount committed may be substantially higher at various times. In addition, if an exchange or the client's FCM increases margin requirements (because of market volatility or otherwise), the percentage of net assets committed to margin and option premiums may increase to levels beyond the stated averages.

There can be no assurance that the investment objectives of FCI will be achieved.

## **Risk Management**

FCI projects a trading range for a commodity contract over a specified period of time, usually one (1) to six (6) months. After considering other factors, FCI sells put and/or call options on the outer limits of that trading range. If the contract price stays within the projected range, time will erode the value of the option to the purchaser, the option will be worthless at expiration, and the premium that the client collected upfront, net of brokerage fees, will be profit. If the contract price starts to get close to a strike price and threatens to breach one of the projected limits, FCI needs to manage this risk.

It should be emphasized that, unlike an option buyer who risks losing only his investment in the premium, the seller of an option has unlimited risk. FCI must carefully manage this risk. If it does not manage this risk, a client could have substantial losses. In addition, there may be market conditions that make it impossible to properly manage this risk. Thus, FCI's options selling program is designed for sophisticated investors who can accept a high degree of risk.

Due to the risks involved in selling options, significant emphasis is placed on risk management techniques to minimize the losses on any particular trade on the portfolio as a whole. Stop-losses orders are used and managed in a proprietary manner to balance the potential loss in any trade versus the opportunity for maximum profit. Stop-loss orders may not necessarily limit losses since they become market orders upon execution; as a result a stop-loss order may not be executed at the stop-loss price. Depending on the model used, risk may be managed through variable position size or risk levels for any market. Additionally, modern portfolio techniques are used to construct the overall portfolio for a given program. These techniques will account for the volatility and correlation for markets as well as behavior during specific market extremes. Portfolio adjustments will be made to account for systematic changes in the relationships across markets. Portfolios are managed to meet risk and volatility tolerances.

### **Disciplined Investment Process**

FCI believes that an investment strategy can only be as successful as the discipline of the manager to adhere to its requirements in the face of market adversity. Unlike discretionary traders, whose decisions may be subject to behavioral biases, FCI practices a disciplined investment process.

In addition, FCI's approach is dependent in part on the existence of certain technical and fundamental indicators. There have been periods in the past when there were no such market indicators, and those periods may recur.

### **Disciplined Adaptation to Changing Market Conditions**

FCI maintains an absolute commitment to consistent portfolio construction and program integrity. FCI has not been persuaded to change the fundamental elements of the portfolios by short-term performance, although adjustments may be made over time. Over the years, FCI has changed the basic methodologies that identify signals in the markets. FCI believes that its track record will be benefited substantially from its adherence to its models during and even after periods of negative returns.

The dynamic elements of FCI's investment process involve periodic adaptation to changing market conditions and subjective discretionary decisions on such matters as portfolio weightings, leverage, position size, effective trade execution, capacity and entry into new markets--all of which depend on professional experience and market knowledge. These changes are made as warranted by FCI's research findings and in the context of FCI's underlying principles.

Decisions made by FCI are based on an assessment of available facts. However, because of the large quantity of facts at hand, the number of available facts that may be overlooked and the variables that may shift, any investment decision must, in the final analysis, be based on the judgment of FCI.

### **Trade Placement**

FCI's executes trades worldwide in markets that are the most liquid for the specific trade that is being made. Trades are executed by money managers, with each member of the team fully responsible for the trade's fulfillment, and are recorded and reviewed for strict adherence to procedures.

Depending on market conditions, order size and other factors, FCI will decide to execute a trade using a particular order type, which may include "market price," "market-at-discretion" or "market limit." Whether entering or exiting the markets, FCI trading follows specific procedures designed to help minimize the impact of any immediate adverse price developments.

FCI trades electronically on behalf of its client accounts. FCI, in its discretion, may also continue to place orders by traditional means, including telephone and teletype. FCI believes that electronic trading provides a faster method of accessing the variety of markets that it trades than the traditional method of placing trade orders over the telephone.

Electronic trading provides for greater order execution risk controls to be incorporated into electronic order placement which should reduce the potential for errors during the order placement process. Electronic trading also increases the overall level of confidentiality for FCI with respect to the marketplace and it will also prevent miscommunication of instructions between FCI and the executing brokers. Trade processing efficiency is another key benefit to electronic trading.

FCI places trades for all accounts that it manages as “bunched orders” or “block orders”, in which trades for all accounts are placed for execution in a group or bunch, and then are allocated to individual accounts when the order has been completed or at the end of the trading day. This process improves the efficiency of trade placement, and is intended to provide better pricing and execution of orders for all accounts. FCI provides the brokerage firms with allocated fills pursuant to FCI’s allocation methodology. FCI will make available to any customer upon request (1) the general nature of the allocation methodology FCI uses; and (2) summary or composite execution and allocation data sufficient for that customer to compare the results of execution and allocation for its account with those for the accounts of comparable customers and any proprietary account participating in the bunched order process.

FCI is obligated to make all post-order allocations fair and equitable, so that no account or group of accounts consistently receives favorable or unfavorable treatment. In addition, FCI’s allocation methodology must be sufficiently objective and specific to permit independent verification of the fairness of the allocation and reconstruction of the allocation methodology.

### **Commencement of Trading**

Each new account will encounter a startup period during which it may incur certain risks related to the initial investment of assets. In an effort to manage such risk, FCI has developed procedures governing the appropriate timing for the commencement of trading and the appropriate means of moving toward full portfolio commitment for new accounts. FCI, at its discretion, may delay the actual start of trading for an account for an extended period of time or adjust position size in relation to account equity in certain markets or in an entire investment program. The firm may also invest a new account more slowly than it would a more mature account. These procedures may be modified from time to time, and no assurance is given that they will be successful in moving an account toward full portfolio commitment without substantial losses which might have been avoided, or foregoing substantial profits which might have been achieved, by other means of initiating investment in the markets.

### **Position Size**

Adjustments in position size in relation to account equity have been and continue to be an integral part of FCI’s investment strategy. At its discretion, FCI may adjust the size of a position in relation to equity in the account that is taken in certain markets or entire investment programs. Such adjustments may be made at certain times for some investment programs but not for others. Factors which may affect the decision to adjust the size of a position in relation to account equity include ongoing research, program volatility, current market volatility, risk exposure, subjective judgment, and evaluation of these and other general market conditions. Such decisions to change the size of a position may positively or negatively affect performance and will alter risk exposure for an account. Adjustments in position size relative to account equity may lead to greater profits or losses, more frequent and larger margin calls, and greater brokerage expense. No assurance is given that such adjustments will result in profits for client accounts. FCI reserves the right to alter, at its sole discretion and without notification to you, its policy regarding adjustments in position size relative to account equity.

### **Physical and Cash Commodities**

FCI may trade in physical or cash commodities for immediate or deferred delivery, including specifically gold bullion, as well as futures, options, swaps, and forward contracts when it believes that cash markets offer comparable or superior market liquidity or ability to execute transactions at a single price. Cash transactions, as opposed to futures transactions, relate to the purchase and sale of specific physical commodities. Whereas futures contracts are generally uniform except for price and delivery time, cash contracts may differ from each other with respect to such terms as quantity, grade, mode of shipment, terms of payment, penalties, risk of loss, and the like. There is no limitation on daily price movements of cash, swap, or forward contracts transacted through banks, brokerage firms, or government dealers, and those entities are not required to continue to make markets in any commodity.

### **Notional Funds**

*Please Note: The following is provided solely for the purpose of helping prospective clients fully understand the information contained in this Disclosure Document. It is not meant as a recommendation by FCI to clients to fund*

*accounts with notional equity. Clients should consult their financial advisors to determine whether or not the use of notional equity is suitable for them.*

Clients may direct FCI to employ notional funds when trading a client's account. Notional funds in a client's account are funds not actually held in the account, but have been committed by a client to the trading activity of the account. Notional funds are only accepted on accounts funded with \$100,000 of actual cash or greater.

Notional equity creates additional leverage in an account relative to the cash in such account. This additional leverage results in proportionately greater risk of loss (and opportunity for gain). While the possibility of losing all of the cash in an account is present in all accounts, accounts that contain notional equity have a proportionately greater risk of loss. For example, in an account which is funded with only 50% cash (and, therefore, has 50% notional equity), a 10% loss of the account's total value (based on both cash and notional equity) will equal a loss of 20% of the cash in the account. The mathematical formula for converting rate of return percentages based on the nominal account size to rate of return percentages based on the partial funding level may be stated as follows: **(nominal account size / actual funds) \* n = a**. In the foregoing, **n** is the rate of return percentage based on the nominal account size and **a** is the ROR percentage based on actual funds.

FCI only permits an account to leverage up with 25% notional equity. So, for example, an account funded with \$100,000 of actual cash may only employ \$25,000 of notional equity.

A client's monthly management fee is based on the total nominal account value, which includes notional funds in addition to actual net assets. Therefore, a 2% annual fee based on a fully-funded account will equal a 4% annual fee based on an account funded only as to 50% of its fully-funded size.

An account employing notional equity may receive more frequent and larger margin calls.

Those parties interested in employing the use of notional funds must complete Exhibit 7, "Special Disclosure for Notionally Funded Accounts."

## **Management**

**Craig B. Kendall**, is the sole principal of FCI a wholly owned subsidiary of Financial Investments, Inc. He became a registered principal of FCI with the NFA on January 9, 2006, and become registered as an associated person ("AP") of FCI on January 31, 2006, and with such registrations terminating on March 8, 2009. Mr. Kendall re-registered as a principal of FCI with the NFA on May 1, 2009, and became registered as an AP of FCI on May 12, 2009. (Mr. Kendall's gap in registration is the result of restructuring with FCI's affiliate, Financial Investments, Inc., which is also a registered CTA doing business as FCI and having serviced the accounts in the interim period.)

Mr. Kendall is solely responsible for all money management, trade execution, and risk management of all transactions executed on behalf of FCI. Biographic information regarding Mr. Kendall is set forth below.

Mr Kendall is the owner and manager of Kendall & Company, CPA, and Financial Investments, Inc. ("FII"). Mr. Kendall, is a CPA licensed in the Commonwealth of Virginia. Mr. Kendall operates, Kendall & Company, a local CPA firm, tailoring its services to entrepreneurial business needing comprehensive CPA and Chief Financial Officer, "CFO Services for Hire". Mr. Kendall has operated the CPA business since 1995.

In 1997, Mr. Kendall, founded FII. FII is an investment firm that has been an NFA member since July 15, 2003; has been registered with the CFTC as a Commodity Trading Advisor since February 4, 2009; and is registered as an investment advisor with the Commonwealth of Virginia. FII advises clients in the acquisition of or investment in securities or other instruments. FII also does business as Financial Investment, LP ("FILP"), and until April 2009 operated as a registered commodity pool operator and hedge fund that traded a portion of its assets pursuant to the Program. Mr. Kendall has been listed as a principal and registered as an AP of FII since July 25, 2003.

Prior to 1995, Mr. Kendall, served as the Controller and Chief Financial Officer ("CFO") of a closely held electronic manufacturer firm.

Mr. Kendall graduated from Washington & Lee University in 1978 He received his CPA license from Maryland in 1981 and from Virginia in 1991.

Mr. Kendall received his Series 6, 63, 65 and 3 Securities Licenses in 2001 and currently maintains his license as a Registered Investment Advisor.

His business experience includes over twenty (20) years in the finance, accounting and investment banking industry.

## **MANAGEMENT FEES AND INCENTIVE FEES**

### **General**

As compensation for its advisory services, FCI may charge a monthly management fee and incentive fee. Because FCI may structure each account (including the applicable fees) to meet specific client needs, the following description of FCI's fees represents a general guideline. FCI reserves the right to waive or reduce fees for any client or account without notification to other clients accounts of such a waiver or reduction. Unless otherwise agreed to in writing, all fractional dollar amounts of any fees are rounded to the nearest dollar.

### **Management Fees**

FCI will be pre-paid monthly a non-refundable management fee of 1/12 of 2% of the Net Assets of the client's account prior to the commencement of trading at each calendar month [the "Management Fee(s)"].

Net Assets shall mean an account's total assets, including any notional equity declared, less total liabilities, determined in accordance with Generally Accepted Accounting Principles. Net Assets will include the sum of all cash and any unrealized profit or loss on securities and open commodity positions. All securities and open commodity positions shall be valued at their then market value which means, with respect to open commodity positions, the settlement price determined by the exchanges on which such positions are maintained. If there are no trades on the date of the calculation due to the operation of the daily price fluctuation limits or due to closing of the exchange on which positions are maintained, the contract will be valued at the settlement price as determined by the exchange on the first subsequent day on which the position could be liquidated.

The client's Management Fee is calculated based on the total nominal account value, which includes notional funds in addition to actual net assets. Therefore, a 2% annual fee based on a fully-funded account will equal a 4% annual fee based on an account funded only as to fifty percent 50% of its fully-funded size.

### **Incentive Fees**

Each client is generally required to pay FCI a monthly fee based on the profitability of FCI's trading for the client's account. Such fee is 20% of Net Trading Profits [the "Incentive Fee(s)"]. FCI's Incentive Fee may be modified by FCI and its clients depending on a variety of factors. Because FCI may structure each account (including the applicable fees) to meet specific client needs, the foregoing description of FCI's Incentive Fee represents a general guideline only, and specifically does not represent the maximum or minimum Incentive Fees that may be charged to an account.

Net Trading Profits is equal to the excess of an account's Net Assets at the end of the calendar month over its Net Assets at the end of the highest previous month or its Net Assets at the date trading commences, whichever is higher – (i.e., the "high-water mark") and as further adjusted to eliminate the effect on the account's Net Assets resulting from new capital contributions or capital withdrawals, if any, made during the period, whether the assets are held separately or in a margin account. Losses attributable to capital withdrawals shall not be carried forward.

Net Trading Profits shall be net of all accrued or payable brokerage commissions, fees and other expenses and shall include interest or other income not directly related to trading activity. The Incentive Fees calculation also includes, in part, unrealized appreciation on open positions. Such appreciation may never be realized by a client. For example, if at the end of a month the client's account had unrealized profits on open positions, FCI may receive an Incentive Fee based on such unrealized profits. Following such payments, those open positions might, due to adverse market conditions, be closed

out at no profit or a loss; nevertheless if a client's account incurs a loss after an Incentive Fee has been paid, such Incentive Fee will not be rebated and FCI will retain the fee, but no further Incentive Fee will be made in subsequent months until the account again has Net Trading Profits. If an account closes out before the end of a month, the closing date will be deemed the end of the month for purposes of calculating such Incentive Fee.

Because FCI receives Incentive Fees, it may be inclined to trade in a more speculative manner than if it received only a percentage-of-assets fee.

Incentive Fees and Management Fees are calculated by FCI and paid directly out of a client's account, unless FCI and the client have otherwise made a different arrangement. Upon calculation by FCI, FCI is authorized by the client to deduct the fees directly from the client's account.

## **BROKERAGE ARRANGEMENTS**

Clients are free to choose the FCM at which their accounts are maintained and a separate introducing broker ("IB"), if any, and it will be necessary for a client to select an FCM which will hold the assets of such client's account and through which trades will be executed. Each client will receive confirmations and monthly account statements from its' FCM reflecting all transactions entered into on its behalf by FCI. These records should be reviewed immediately upon receipt in order to monitor the status of the accounts managed by the Advisor, and should be retained for future reference.

In order to provide for more efficient execution of orders for the account, FCI may place orders for execution through one broker, which will later be "given up" by the executing broker to the client's FCM. When signing the managed account agreement attached hereto, the client agrees to pay all "give up" fees. Give up transaction fees will range between approximately two dollars (\$2.00) and four dollars (\$4.00).

## **POTENTIAL CONFLICTS OF INTEREST**

### **Other Clients and Business Activities of FCI**

FCI has agreed to treat all clients equitably. However, FCI reserves the right to advise other clients, and a conflict of interest may arise because FCI is allocating its time and orders among different client accounts. These various other accounts may be deemed to be competing for the same or similar positions in the market. When advising more than one account, price volatility and variations in liquidity from time to time as well as differences in order execution may make it impossible for FCI to obtain identical trade executions for all accounts. Further, FCI and its principal may also determine from time to time that some investment opportunities are appropriate for certain clients (of FCI or an affiliate thereof) and not others, due to differing objectives, time horizons, liquidity needs or availability, or other general market conditions.

The principal of FCI devotes time to other business ventures in addition to managing the assets of clients.

### **The Commodity Broker**

Commodity brokers have numerous clients and will be executing trades for a variety of different clients in the same markets at the same time. Executing orders for different, and possibly competing, customers at the same time involves an inherent conflict of interest. Certain clients of the client's FCM may be allotted lower brokerage rates than client.

### **Proprietary Trading**

FCI and its principal may trade in the commodity markets for their own accounts (i.e., non-customer and proprietary accounts). A potential conflict of interest with respect to the client account may exist if non-customer and proprietary trades are executed in similar positions, at the same time, and in the same market. Records of this trading will not be available for inspection by clients. Such trading may create conflicts of interest on behalf of one or more such persons in respect of their obligations to clients.

Because FCI, the client's FCM, and its respective principal and affiliates may trade for their own accounts at the same time they are involved in trading activities on behalf of clients, prospective clients should be aware that — as a result of a neutral allocation system, testing a new trading system, trading their proprietary accounts more aggressively or

other actions — such persons may from time to time take positions in their proprietary accounts which are opposite, or ahead of, the positions taken for clients.

## **MATERIAL LEGAL MATTERS OF FCI**

Neither FCI nor any of its principals have been the subject of any administrative, civil, or criminal action, whether pending, on appeal, or concluded, within the preceding five years that FCI would deem material for purposes of Part 4 of the Regulations of the CFTC.

## **RISK FACTORS**

*An investment in the Program is speculative and involves a high degree of risk. Because your liability in trading futures in an individually managed account (rather than through a limited-liability vehicle such as a fund) is not limited, you must be able to bear the loss of more than your entire investment.*

### **General**

#### **Liability in Excess of Amounts Deposited With FCM**

Prospective clients should be aware that the Program offered hereby does not involve a limited liability structure, *e.g.*, a limited-liability vehicle. The program involves writing options, as described below, a strategy which is generally considered to be particularly risky. Prospective clients should carefully review the Risk Disclosure Statement set forth on page ii of this Disclosure Document.

#### **Past Results Not Necessarily Indicative of Future Performance**

Prospective clients should note that, while FCI has a positive track record and FCI (and its principal) have experience in the asset advisory arena, past results are no assurance of future performance. The trading methods of the Program may not be successful and thereby may cause a client to incur losses on the positions that it initiates. Market volatility may not be as expected, thereby affecting the success of the trading strategies. FCI cautions prospective clients to take seriously the warning required by both the CFTC and NFA: PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS; AN INVESTMENT IN THE PROGRAM OFFERED HEREBY IS SPECULATIVE AND INVOLVES A SUBSTANTIAL RISK OF LOSS.

#### **Failure of Brokerage Firms; Default by Forward Market Participants**

Under CFTC regulations, FCMs are required to maintain a client's assets in a segregated account. If the FCM used by client fails to do so, the client may be subject to a risk of loss of his funds on deposit with his FCM in the event of its bankruptcy. In addition, under certain circumstances, such as the inability of another client of the FCM or the FCM itself to satisfy substantial deficiencies in such other client's account, a client may be subject to a risk of loss of his funds on deposit with his FCM, even if such funds are properly segregated. In the case of any such bankruptcy or client loss, a client might recover, even in respect of property specifically traceable to the client, only a pro rata share of all property available for distribution to all of the FCM's clients.

In the event that FCI engages in forward trading in the future, clients (or their FCMs) would be dealing with its counterparty as principal and would be subject to the full risk of such counterparties' default or insolvency. Over-the-counter transactions, such as swaps and forward contracts, are private agreements made between two parties that are largely exempt from any sort of regulation. As a result, such investments are subject to risks relating to (i) the credit worthiness of off-exchange counterparties (there is less protection against defaults in principal trading than in trades on exchanges because an exchange or clearinghouse guarantees trades), (ii) the lack of trading in a standardized contracts; and (iii) the limited market regulation.

## The Futures and Forward Markets

### **Selling Options on Futures Contracts**

The primary trading strategy of FCI will be to sell, on behalf of a client, options on futures contracts. An option on a futures contract gives the purchaser of the option the right but not the obligation to take a position at a specified price (the “striking,” “strike” or “exercise” price) in the underlying futures contract. The purchase price of an option is referred to as its “premium” and is paid to the seller of the option. As the seller (or writer) of an option, the clients of FCI will earn the premiums paid by the option buyers.

Selling options entails considerable risk. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavorably. The seller will also be exposed to the risk that the purchaser will exercise the option, obligating the seller to either settle the option in cash or to acquire and deliver the underlying interest. If the position is “covered” by the seller holding a corresponding position in the underlying interest or a future or another option, the risk of loss may be reduced, but the loss may still exceed the premium received. If the option is not covered, the risk of loss can be unlimited. FCI intends to generally cover its option selling by purchasing a corresponding option.

Stated another way, a buyer of options does limit his risk to the amount of his investment in the option. The writer, or seller of options, takes on unlimited risk. There is no limit on how large the loss can be. Losses can and will be the amount that the option is “in-the-money” at the time of expiration, should the option actually expire in the money.

The price of futures contracts determines whether the option expires without being exercised (which is what FCI anticipates will happen) or whether the option is exercised because it is “in-the-money.” Prices on futures contracts are volatile. Price movements are influenced by a wide variety of complex and hard to predict factors, such as: government trade, fiscal, monetary and exchange control programs and policies; national and international political and economic events; changes in interest rates; and prevailing psychological characteristics of the marketplace. The profitability of FCI’s options selling program may depend on anticipating trends in the volatile price movements of the underlying futures contracts.

### **Commodity Trading is Highly Leveraged**

Because of the low margin deposits normally required in futures contract trading (typically between 2% and 15% of the value of the interest purchased or sold), an extremely high degree of leverage is typical of a futures contract trading account. As a result, a relatively small price movement in a futures contract may result in immediate and substantial losses to the investor. For example, if at the time of purchase 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deductions for brokerage commissions. A decrease of more than 10% would result in a loss of more than the total margin deposit. Thus, like other leveraged investments, any trade may result in losses in excess of the amount invested. The sale of options on futures contracts presents the same risks.

When the market value of a particular open position changes to a point where the margin on deposit in a participating customer’s account does not satisfy the applicable maintenance margin requirement imposed by the brokerage firm, the customer, and not FCI, will receive a margin call from the brokerage firm. If the customer does not satisfy the margin call within a reasonable time (which may be as brief as a few hours) the brokerage firm will close out the customer’s position.

### **“Zero-Sum” Markets**

Futures trading is a “zero-sum,” risk transfer activity. For every gain there is an equal and offsetting loss rather than a mutual participation over time in economic growth.

FCI’s trading may exhibit a high degree of volatility.

## **Commodity Trading May be Illiquid**

Most United States commodity exchanges limit price fluctuations in certain commodity interest prices during a single day by means of “daily price fluctuation limits” or “daily limits.” The daily limit, which is set by most exchanges for all but a portion of the expiration month, imposes a floor and a ceiling on the prices at which a trade may be executed, as measured from the last trading day’s close. While these limits were put in place to lessen margin exposure, they may have certain negative consequences for a customer’s trading. For example, once the price of a particular contract has increased or decreased by an amount equal to the daily limit, thereby producing a “limit-up” or “limit-down” market, positions in the contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Contract prices in various commodities have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent FCI from promptly liquidating unfavorable positions and subject a participating customer to substantial losses that could exceed the margin initially committed to such trades.

## **No Intrinsic Value to Investments**

The Program offered hereby can neither be successfully considered on a stand-alone basis nor provide beneficial diversification to a portfolio unless it trades successfully. Clients will not acquire assets with intrinsic value. The program offered hereby is entirely speculative and is not based on the appreciation in value of any asset. There can be no assurance whatsoever that FCI will be able to generate profits for its clients by participating in the risk transfer markets in which it will exclusively concentrate its trading operations.

## **Foreign Exchanges**

Trading on exchanges outside the United States is not regulated by any United States governmental agency and may involve certain risks not applicable to trading on United States exchanges. For example, some foreign exchanges, in contrast to United States exchanges, are “principal’s markets” in which performance is the responsibility only of the individual member with whom the trader has entered into a futures contract and not of an exchange or clearing corporation. Moreover, such trading may be subject to whatever regulatory provisions are applicable to transactions effected outside the United States, whether on foreign exchanges or otherwise. Trading on foreign exchanges involves the additional risks of expropriation, burdensome or confiscatory taxation, moratoriums, and investment controls or political or diplomatic events which might adversely affect the FCI’s trading activities.

## **Possible Regulatory Changes**

There has been significant international governmental concern expressed concerning, for example, the need to overhaul regulation of the derivatives markets in general. In the current environment, perhaps more than in prior periods, prospective clients must recognize the possibility of future regulatory changes altering, perhaps to a material extent, the nature of an investment in the program offered hereby.

For example, certain exchanges may significantly the margin requirements applicable in connection with FCI’s trading. Accordingly, FCI will not be able to trade the market value based on a particular level of Net Assets, as was previously possible. Reduced position levels may lead to lower profit potential. Furthermore, FCI may be required to close out positions more quickly in adverse market conditions, which may result in frequent losses.

## **Futures Contracts**

A futures contract is an agreement, made through the facilities of an established exchange, by which the seller agrees to deliver and the buyer agrees to accept, a certain quantity of a specified grade of a commodity during a designated delivery month at a specified price. Certain futures contracts, such as those in Eurodollar time deposits or stock indices, are closed out by cash settlement of the profit or loss of an open position rather than by delivery. Speculative traders rarely expect to take delivery of any commodity under a futures contract. Rather, they hope to realize profits from fluctuations in the price of futures contracts, “offsetting” such contracts by taking an equal and opposite position in the same contract before delivery is due. A margin deposit is required to initiate both “long” and “short” futures positions.

Additional margin is required if unrealized losses in open positions reduce the margin on deposit below required minimums. Unlike margin in the securities industry, which essentially constitutes a loan from a client’s stockbroker,

margin in futures trading acts as a deposit to give assurance to a trader's futures broker of the trader's ability to pay for any losses which may be incurred on the trader's positions.

## **Margins**

Margin is the amount of funds that must be deposited by a trader with his or her brokerage firm to secure the obligation either to make or accept delivery under a futures or futures contract or to make an offsetting sale or purchase. Because futures and futures contracts are customarily bought and sold on margins which range upward from less than two percent of the purchase price of the contract, price fluctuations occurring in futures and futures markets may create profits and losses that are greater than are customary in other forms of investment. The margin deposit required of an account will be reduced or increased daily as a consequence of fluctuations in the market price of the open contracts held for the account, and additional deposits may become necessary as a consequence of adverse market movements. Exchanges impose, and may at any time increase, minimum margin requirements, and brokers may, in their discretion, further increase the amount of margin required from any account.

The foregoing is not a complete summary of the complex and highly various futures, futures and options markets. Each client should familiarize themselves with option writing, commodities, and index future contracts, short selling, futures contract trading, covered and uncovered option contract buying and selling, and use of borrowed funds, carefully read the Risk Disclosure Statement in the front of this Disclosure Document and the following description of the risks connected with such opening an account.

## **Risk Management**

Due to the volatile nature of trading securities and instruments, the advisor adheres to strict money management principles to increase the opportunity for success of the trading program.

Position exposure and the potential percentage loss that the portfolio may incur in unfavorable market moves are continuously monitored. Volatility models are used to determine position size adjustments to maintain the programs maximum position exposure limits. Position exposure limits are the total equity risked in any one market, and is generally between 0.5% and 1.5% of total equity. An increase of the volatility model will cause a position size reduction in any particular market. While the reduction of position size is applied to avoid unwanted draw-downs, it can also result in missed opportunity. While the exposure of risk has been reduced, the potential for profit is reduced as well.

## **Failure of Electronic Trading Systems**

At times, FCI undertakes transactions on an electronic trading system. Electronic trading systems are susceptible to temporary disturbance or breakdown, including the failure of hardware and software. The result of any system failure may be that orders are not executed to FCI's directions or are not affected at all.

## **Limited Portfolio May Result in Increased Volatility**

Trading a limited portfolio may result in clients experiencing greater performance volatility and greater risk of loss than would be experienced by a more diversified portfolio.

## **Changes in Trading Approach**

FCI may make material changes in the trading approaches which it implements. It is impossible to predict how such changes may affect trading on behalf of FCI's clients. Clients will be informed of any change in FCI's trading approach that FCI considers to be material.

## **Dependence of the Clients on FCI**

Clients are dependent upon the services of FCI. The incapacity of FCI's principal, Mr. Kendall, could have a material and adverse effect on FCI's ability to discharge its obligations under the Client's Investment Management Agreement.

## **Increasing the Assets Managed by FCI May Degrade Returns**

There appears to be a tendency for the rates of return achieved by advisors to degrade as assets under management increase. FCI has not agreed to limit the amount of additional equity which it may manage, and is actively engaged in seeking major new accounts.

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THE FOREGOING LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE EXPLANATION OF THE RISKS INVOLVED IN THIS OFFERING. POTENTIAL CLIENTS SHOULD READ THIS ENTIRE OFFERING MEMORANDUM, AND FAMILIARIZE THEMSELVES WITH INVESTMENTS IN OPTION WRITING, COMMODITIES, AND INDEX FUTURE CONTRACTS, SHORT SELLING, FUTURES CONTRACT TRADING, COVERED AND UNCOVERED OPTION CONTRACT BUYING AND SELLING, BEFORE DECIDING WHETHER TO INVEST IN THE PROGRAM OFFERED HEREBY.

## **THE FUTURES MARKETS**

### **Futures, Option and Forward Contracts**

Commodity futures contracts in the United States are required to be made on a commodity exchange and call for the future delivery of various agricultural and nonagricultural commodities, or financial instruments at a specified time and place. These contractual obligations may be satisfied either by taking or making physical delivery of an approved grade of the particular commodity (or, in the case of some contracts, by cash settlement) or by making an offsetting sale or purchase of an equivalent commodity futures contract on the same (or a linked) exchange prior to the designated date of delivery.

An option on a futures contract gives the purchaser of the option the right (but not the obligation) to take a position at a specified price in the underlying futures contract. The seller of the option is obligated to take the opposite futures position at the same specified price if the option is exercised. As described herein, selling or writing options can lead to unlimited losses. See "Risk Factors".

Futures may be purchased or sold for future delivery through banks or dealers pursuant to what are commonly referred to as "forward contracts". In such instances, the bank or dealer generally acts as principal in the transaction and includes its anticipated profit and costs in the prices it quotes for such contract, perhaps also charging a mark-up as a fee for arranging the trade.

### **Hedgers and Speculators**

The two broad classifications of persons who trade in commodity futures and options are "hedgers" and "speculators". The commodities markets enable the hedger to shift the risk of price volatility to the speculator. The usual objective of the hedger is to protect the profit which he expects to earn from his farming, merchandising or processing operations, rather than to profit from his futures trading. Unlike the hedger, the speculator generally does not expect to deliver or receive any physical commodity, electing instead to offset his futures or option position in the futures or option markets themselves, thereby recognizing profit or loss based on the difference between the price at which a position was acquired and that at which it was later offset. The speculator risks his capital with the hope of making profits from fluctuations in futures or option prices. Speculators rarely take delivery of physical commodities but rather close out their positions by entering into offsetting purchases or sales of futures contracts.

### **Commodity Exchange**

Commodity exchanges provide centralized market facilities for trading in futures contracts relating to specified commodities. Each of the commodity exchanges in the United States has an associated "clearinghouse". Once trades made between members of an exchange have been confirmed, each member firm party to the trade looks only to the clearinghouse for performance.

Clearinghouses do not deal with customers, but only with member firms, and the “guarantee” of performance under open positions provided by the clearinghouse does not run to customers. If a customer’s commodity broker becomes bankrupt or insolvent, or otherwise defaults on such broker’s obligations to such customer, the customer in question may not receive all amounts owing to such customer in respect of his trading, despite the clearinghouse fully discharging its obligations. See “Risk Factors”. In contrast to United States exchanges, many non-United States markets (many of which are not, in fact, “exchanges” in the same sense as United States exchanges) are “principals’ markets,” where trades remain the liability solely of the traders involved and there is no clearinghouse to support traders’ obligations under their open contracts.

FCI may in the future trade on a number of non-United States commodity exchanges.

### **Position Limits**

The CFTC has established limits (“speculative position limits”) on the maximum net long or net short positions that any person may hold or control in certain futures contracts. Futures exchanges also have established such limits. All accounts controlled by the FCI must be combined for speculative position limit purposes. If positions in those accounts were to approach the level of speculative position limits such limits could cause a modification of FCI’s trading decisions for a client’s account, or force liquidation of certain futures positions.

### **Daily Limits**

Most United States exchanges limit by regulations the maximum permissible fluctuation in commodity futures contract prices during a single trading day. Once a contract price has moved the “daily limit,” no more trading may take place in such contract during such trading day.

### **Margins**

Margin represents a security deposit to assure futures traders’ performance under their open positions. When a position is established, “initial margin” is deposited and at the close of each trading day “variation margin” is either credited or debited from a trader’s account, representing the unrealized gain or loss on open positions during the day. If “variation margin” causes a trader’s “initial margin” to fall below “maintenance margin” levels, a “margin call” will be made requiring the trader either to deposit additional margin or have his position closed out.

## **PRIVACY POLICY**

This privacy policy explains the manner in which FCI collects, utilizes and maintains nonpublic personal information about FCI’s clients, as required under recently enacted federal legislation. This privacy policy only applies to nonpublic information of clients who are individuals (not entities).

### **Collection of Investor Information**

FCI collects personal information about its clients mainly through the following sources:

- Subscription forms, client questionnaires and other information provided by the client in writing, in person, by telephone, facsimile, electronic mail or by any other means. This information includes name, address, nationality, tax identification number, and financial and investment qualifications; and
- Transactions within FCI, including account balances, investments and withdrawals.

### **Disclosure of Nonpublic Personal Information**

FCI does not sell or rent client information. FCI does not disclose nonpublic personal information about its clients to nonaffiliated third parties or to affiliated entities, except as permitted by law. For example, FCI may share nonpublic personal information in the following situations:

- To service providers in connection with the administration and servicing of FCI, which may include attorneys, accountants, auditors and other professionals. FCI may also share information in connection with the servicing or processing of FCI transactions;
- To affiliated companies in order to provide accounts with ongoing personal advice and assistance to provide products and services that may be of value to accounts;
- To respond to a subpoena or court order, judicial process or regulatory authorities;
- To protect against fraud, unauthorized transactions (such as money laundering), claims or other liabilities; and
- Upon consent of an client to release such information, including authorization to disclose such information to persons acting in a fiduciary or representative capacity on behalf of the client.

### **Protection of Investor Information**

FCI's policy is to require that all employees, financial professionals and companies providing services on its behalf keep client information confidential.

FCI maintains safeguards that comply with federal standards to protect client information. FCI restricts access to the personal and account information of clients to those employees who need to know that information in the course of their job responsibilities. Third parties with whom FCI shares client information must agree to follow appropriate standards of security and confidentiality.

FCI's privacy policy applies to both current and former clients. FCI may disclose nonpublic personal information about a former client to the same extent as for a current client.

### **Changes to Privacy Policy**

FCI may make changes to its privacy policy in the future. FCI will not make any change affecting accounts without first sending account holders a revised privacy policy describing the change. In any case, FCI will send account holders a current privacy policy at least once a year as long as the account holders continue to be a client of FCI.

## **ANTI-MONEY LAUNDERING PROGRAM**

In accordance with Title III of the USA PATRIOT Act, entitled the "International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001", and in particular § 352, FCI has established an anti-money laundering program that includes, but is not limited to:

- The development of internal policies, procedures and controls;
- The designation of a compliance officer;
- An ongoing employee training program; and
- An independent staff audit function to test programs.

FCI has adopted a broad policy statement against money laundering which has established the role of senior management; the designation of an anti-money laundering compliance officer; establishment of ongoing employee training programs; and the facilitation of the independent staff audit function.

## Identification Procedures

FCI's investor identification procedures are based on the premise that FCI will only accept an investment from a new investor only after:

- FCI has confirmed the identity of the investor and that the investor is investing as principal and not for the benefit of any third party;
- If the investor is investing on behalf of other underlying investors, FCI has confirmed the identities of the investor and the underlying investors; or
- FCI has determined that it is acceptable to rely on the investor due diligence performed by a third party, such as a fund administrator or an investor intermediary, with regard to the investor (and underlying investors, if applicable).

Reliance upon investor identification procedures performed by a third party is also addressed in its anti-money laundering program including the determination of circumstances where reliance may generally be appropriate and the allocation of responsibilities between the parties.

## GENERAL

Federal regulations and executive orders administered by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") prohibit, among other things, the engagement in transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals. The lists of OFAC prohibited countries, territories, persons and entities can be found on the OFAC web site at <http://www.treas.gov/ofac>. Each client must represent and warrant in its Investment Management Agreement that, among other things, neither the client, nor any person controlling, controlled by, or under common control with, the client, nor any person having a beneficial interest in the client, or for whom the client is acting as agent or nominee in connection with this investment, is a country, territory, person or entity named on an OFAC list, or is a person or entity that resides or has a place of business in a country or territory named on such lists. FCI will not accept any investment from the client if it cannot make the representation described in the preceding sentence.

Transactions effected for accounts managed by FCI may be subject to tax and accounting considerations. While FCI has general familiarity with these matters, FCI itself does not render professional tax counsel. Clients are advised to retain a professional tax adviser for the purposes of carefully assessing such matters with respect to the client's particular tax planning objectives and accounting standards.

In addition to the execution of the accompanying exhibits, each client may also be required to execute the various new account forms, powers-of-attorney, risk disclosure documents, notional equity agreement (where applicable), and customer agreements of the FCM for the client's account.

## INSTRUCTIONS FOR OPENING AN ACCOUNT

1. Complete these required forms (check when completed):
  - \_\_\_ Investment Management Agreement (Exhibit 1)
  - \_\_\_ Client Information Questionnaire (Exhibit 2)
  - \_\_\_ Trading Authorization (Exhibit 3)
  - \_\_\_ Fee Payment Authorization (Exhibit 4)
2. Open an account with the Futures Commission Merchant where your account will be carried, and an introducing broker (IB) if you so elect.
3. If desired, complete the optional Special Disclosure for Notionally Funded Accounts (Exhibit 7).

4. Complete, date and sign the account application from the Futures Commission Merchant, including trading authorization (“power of attorney”) form.
5. Issue a check payable to the Futures Commission Merchant.
6. Return completed forms to:  
  
Financial Commodity Investments  
Attn: New Accounts  
462 Herndon Parkway  
Suite 205  
Herndon, Virginia 20170
7. Keep the Disclosure Document and exhibits for your records.

### **PERFORMANCE INFORMATION**

The composite performance data of all client accounts managed by FCI pursuant to the Program or otherwise may be found on pages eighteen (18) through twenty (20).

Specifically, Table A represents the track record for the Option Selling Strategy as employed (i) by FII for an account of FILP from 2004 until August 2006, and (ii) by FCI for several managed accounts from August 2006 to date. Mr. Kendall is the sole trading principal of both FCI and FII. Table B represents performance of client accounts managed pursuant to FCI – CPP from January 2009 to date. Table C represents performance of FCI’s proprietary account managed pursuant to FCI - CPP from April 2006 to date.

Parties interested in making an investment in the Credit Premium Program must first receive and review the Credit Premium Program Disclosure Document from FCI. The results set forth below are not indicative of the results that may be achieved by a client. The markets in which the performance record was compiled have been and are changing; a trading program or approach successful in a particular set of market conditions might not be successful in other market conditions existing now or in the future. No representation is or could be made that the results set forth below are representative of FCI's current trading program or that a client will or are likely to achieve profits or incur losses similar to those shown.

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**TABLE A**  
**OPTION SELLING STRATEGY**  
**PERFORMANCE CAPSULE**

**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS**

**Historical performance:**

Name of Trading Advisor:	Financial Commodity Investments
Name of trading program:	Options Selling Strategy
Inception of trading by FCI:	July, 2004
Inception of trading in Offered Program:	July, 2004
Number of accounts currently trading pursuant to the program as of July 31, 2009	144
Total Assets managed by FCI (including "notional" equity):	\$17,937,378
Total Assets managed by FCI (excluding "notional" equity):	\$17,937,378
Total Assets traded in Offered Program (including "notional" equity):	\$12,561,007
Total Assets traded in Offered Program (excluding "notional" equity):	\$12,561,007
Number of profitable accounts that have closed:	96
Range of Rates of Return for Accounts Closed with Net Lifetime Profits	0 to + 35.4%
Number of unprofitable accounts that have closed:	201
Range of Rates of Return for Accounts Closed with Net Lifetime Losses:	0 to -37%
Largest monthly drawdown, October, 2008:	-26.3%
Worst peak-to-valley drawdown, July – December, 2008:	-34.64%

*Monthly Rates of Return*

	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>January</b>	9.23%	3.88%	1.30%	4.40%	-0.60%	
<b>February</b>	2.56%	-1.15%	0.39%	3.10%	2.90%	
<b>March</b>	5.36%	2.37%	-0.18%	4.20%	0.60%	
<b>April</b>	2.15%	3.34%	7.10%	3.20%	-8.30%	
<b>May</b>	-7.78%	2.42%	1.70%	9.40%	-1.60%	
<b>June</b>	6.10%	2.86%	1.61%	3.70%	-2.00%	
<b>July</b>	2.94%	2.91%	1.08%	0.50%	-5.30%	5.90%
<b>August</b>		-1.24%	4.65%	14.00%	14.00%	-1.00%
<b>September</b>		-4.36%	-4.50%	-1.81%	20.30%	9.80%
<b>October</b>		-26.30%	-8.84%	-1.66%	4.50%	2.00%
<b>November</b>		2.80%	0.51%	1.72%	6.60%	5.70%
<b>December</b>		-8.67%	1.44%	7.28%	5.00%	1.80%
<b>YTD</b>	<b>21.44%</b>	<b>-23.02%</b>	<b>5.53%</b>	<b>58.48%</b>	<b>38.20%</b>	<b>26.34%</b>

*Notes Concerning Performance Follow After Table C.*

**TABLE B  
FCI - CPP  
PERFORMANCE CAPSULE**

**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS**

**Historical performance:**

Name of Trading Advisor:	Financial Commodity Investments
Name of trading program:	Credit Premium Program
Inception of trading by FCI:	July, 2004
Inception of trading in Offered Program:	January, 2009 – Customer
Number of accounts currently trading pursuant to the program as of July 31, 2009	31
Total Assets managed by FCI (including “notional” equity):	\$17,937,378
Total Assets managed by FCI (excluding “notional” equity):	\$17,937,378
Total Assets traded in Offered Program (including “notional” equity):	\$5,376,371
Total Assets traded in Offered Program (excluding “notional” equity):	\$5,376,371
Number of profitable accounts that have closed:	0
Range of Rates of Return for Accounts Closed with Net Lifetime Profits:	N/A
Number of unprofitable accounts that have closed:	0
Range of Rates of Return for Accounts Closed with Net Lifetime Losses:	N/A
Largest monthly drawdown, May, 2009:	-6.46%
Worst peak-to-valley drawdown, April, 2009 – May, 2009	-6.46%

**Monthly Rates of Return**

	<b>2009</b>
<b>January</b>	7.10%
<b>February</b>	6.37%
<b>March</b>	4.52%
<b>April</b>	2.35%
<b>May</b>	-6.46%
<b>June</b>	8.19%
<b>July</b>	.81%
<b>August</b>	
<b>September</b>	
<b>October</b>	
<b>November</b>	
<b>December</b>	
<b>YTD</b>	<b>24.33%</b>

*Notes Concerning Performance Follow After Table C.*

**TABLE C  
FCI - CPP  
PROPRIETARY PERFORMANCE CAPSULE**

**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS**

**Historical performance:**

Name of Trading Advisor:	Financial Commodity Investments
Name of trading program:	Credit Premium Program
Inception of trading by FCI:	July, 2004
Inception of trading in Offered Program:	May, 2006 – Proprietary
Number of accounts currently trading pursuant to the program as of July 31, 2009	1
Total Assets managed by FCI (including “notional” equity):	\$17,937,378
Total Assets managed by FCI (excluding “notional” equity):	\$17,937,378
Total Proprietary Assets traded in Offered Program (including “notional” equity):	\$2,050,121
Total Proprietary Assets traded in Offered Program (excluding “notional” equity):	\$1,050,121
Number of profitable accounts that have closed:	0
Range of Rates of Return for Accounts Closed with Net Lifetime Profits:	N/A
Number of unprofitable accounts that have closed:	0
Range of Rates of Return for Accounts Closed with Net Lifetime Losses:	N/A
Largest monthly drawdown, May, 2009:	-6.46%
Worst peak-to-valley drawdown, August, 2008 – December, 2008:	-10.64%

**Monthly Rates of Return**

	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>January</b>	7.10%	2.54%	- 0.13%	
<b>February</b>	6.37%	1.50%	1.37%	
<b>March</b>	4.52%	1.19%	1.29%	
<b>April</b>	2.35%	2.44%	8.60%	
<b>May</b>	-6.46%	2.18%	3.39%	6.67%
<b>June</b>	8.19%	3.22%	1.19%	9.68%
<b>July</b>	.81%	2.59%	.44%	5.07%
<b>August</b>		2.52%	3.66%	5.13%
<b>September</b>		-5.04%	2.67%	-2.19%
<b>October</b>		-2.82%	- 3.68%	-4.75%
<b>November</b>		1.46%	6.97%	2.43%
<b>December</b>		-4.56%	1.56%	8.21%
<b>YTD</b>	<b>24.33%</b>	<b>6.94%</b>	<b>30.32%</b>	<b>33.45%</b>

*Notes Concerning Performance Follow On The Next Page.*

### *Notes to Performance Summary*

1. Past performance is net of fees and commissions.
2. The difference in total assets managed by FCI and the aggregate in total assets managed pursuant to the programs disclosed hereunder represent assets managed by FII as an RIA. Craig B. Kendall is the sole person making investment decisions for FCI and FII.
3. A client's FCM may charge a client a monthly accounting fee. FCI does not participate in such fee, and the performance information set forth does not reflect any deduction for such fees.
4. The performance presented in Table C is based on performance information provided by the carrying broker as of the end of the month, but has been presented on a pro-forma basis, employing a management fee of one (1%) per annum and an incentive fee of twenty-five (25%) per month. The aforementioned fees are the customary fees charged by the Advisor. In actuality, FCI's proprietary account did not incur any performance or management fees.
5. Monthly rate of return for the account is calculated by dividing net performance by the adjusted beginning equity. An adjustment to the monthly rate of return calculation pursuant to the time weighting method is made if or when material additions or withdrawals are made other than at the beginning or the end of the month. Annual rate of return is calculated by compounding monthly rates of return. Draw-Down is defined as losses experienced by the program over a specified period of time.
6. Worst Peak-to-Valley Draw-down is defined as the greatest cumulative percentage decline in month-end net asset value due to losses sustained by the account during any period in which the initial month-end net asset value is not equaled or exceeded by a subsequent month-end net asset value. Such decline is expressed as a percentage of the initial month-end net asset value to the lowest month-end net asset value of such decline.

**EXHIBIT 1**

**FINANCIAL COMMODITY INVESTMENTS (FCI)**

462 Herndon Parkway  
Suite 205  
Herndon, Virginia 20170  
E-Mail: ckendall@financialii.com  
Internet: www.financialcii.com

**INVESTMENT MANAGEMENT AGREEMENT**

Agreement, dated as of \_\_\_\_\_, 20\_\_\_\_, between FCI (the "Manager") and  
\_\_\_\_\_  
(the "Client").

In consideration of the mutual covenants contained herein, and for other valuable consideration, the parties hereto agree as follows:

1. **Appointment of Manager.** The Client shall open an investment account (the "Account") with \_\_\_\_\_ (the "Broker"), with an initial deposit of \$\_\_\_\_\_. The Client hereby appoints the Manager as discretionary investment manager with respect to the assets placed at the direction of Client in the investment program described in the Manager's Disclosure Document under the Manager's supervision (such program being referred to herein as the "Investment Program" and the assets managed pursuant thereto being referred to herein as an "Account"), and the Manager hereby accepts such appointment, effective as of the date hereof, pursuant to the provisions of this Agreement.

2. **Description of Account; Addition or Withdrawal of Funds.** An Account shall consist of such cash, stocks, bonds, options and other derivative instruments and other securities and financial instruments which, from time to time, the Client places in an Account for investment pursuant to the Investment Program and/or which shall become part of an Account as a result of trading in respect thereof or otherwise. The Client may make additions to, and withdrawals from, any Account in such amounts as the Client shall determine, provided that (a) with respect to additions, the Manager shall have received prior written notice thereof, and (b) with respect to withdrawals, (i) the Account is subject to a three (3) month "lock-up" period whereby the Account will be prohibited from redeeming monies in the Investment Program until the expiration of three (3) full calendar months proceeding the date of the initial investment, (ii) the Manager shall have received not less than fifteen (15) business days' prior written notice prior to any planned withdrawals, and (iii) the Client may not withdraw funds from the Account (unless he intends to terminate this Agreement) if to do so would cause the balance in the Account to fall below a level such that the Manager believes that the Account should no longer be traded. FCI may, in sole and absolute discretion, permit an account to withdraw capital prior to meeting the lock-up period set forth in this item 2 (b)(i).

3. **Powers of Manager.** The Manager shall have full discretion and authority, without obtaining any prior approval from the Client, as the Client's agent and attorney-in-fact, and at the Client's expense, (i) to make all investment decisions in respect of each Account; (ii) to buy on margin or otherwise, sell (including short sales), lend securities, engage in repurchase and reverse repurchase transactions, swap transactions and transactions in a variety of options, securities and other instruments in respect of the Account (to the extent consistent with the Investment Program); (iii) to place orders with respect to, and to arrange for, any of the foregoing; (iv) to make investment representations on behalf of the Client; and (v) in furtherance of the foregoing, to do anything which the Manager shall deem requisite, appropriate or advisable in connection therewith, including, without limitation, the selection of such brokers, dealers and others as the Manager shall determine.

4. **Fees.** In consideration of and in compensation for the advisory services to be rendered by Manager to the Account under this Agreement, Client agrees that Adviser will be paid the fees set forth on Schedule A attached hereto, which schedule is incorporated herein by reference and made a part hereof. Management and incentive fees are paid directly to the Manager out of the Client's Account, unless the Manager and Client have made a different arrangement. The Broker and the Manager are authorized by the Client to deduct the fees directly from the Client's Account. The assets, liabilities and performance attributable to one Account shall not impact the



(h) The Client represents that it is not a senior foreign political figure,<sup>1</sup> an immediate family member of a senior foreign political figure,<sup>2</sup> or a close associate of a senior foreign political figure<sup>3</sup>.

(i) The Client represents that the source of funds to be invested in the Account was not derived from activities that may contravene federal, state or international anti-money laundering laws and regulations.

(j) The Client agrees to provide any information deemed necessary by the Manager in its sole discretion to comply with its anti-money laundering program and related responsibilities from time to time.

(k) The Client shall hold the Manager harmless from and indemnify the Manager against any and all liability or loss which the Manager may incur or suffer if and to the extent that such liability or loss was caused by the inaccuracy or breach by the Client of any of the provisions set forth in paragraphs 7(a) through (i) hereof.

(l) The foregoing representations and warranties shall be continuing during the term of this Agreement, and if at any time during the term of this Agreement any event has occurred which would make any of the foregoing representations and warranties untrue or inaccurate in any material respect, the Client promptly will notify the Manager of such event and the parts related thereto.

8. **Manager's Representations and Warranties.** Manager represents and Client acknowledges that the Manager is currently registered with the Commodity Futures Trading Commission as a commodity trading adviser and is a Member of the National Futures Association.

9. **Conflicts of Interest.** It is understood that the Manager performs investment advisory services for various clients other than the Client. The Client agrees that the Manager may give advice and take action in the performance of its duties with respect to any of its other clients which may differ from advice given, or the time or nature of action taken, with respect to the Account, so long as it is FCI's policy, to the extent practical, to allocate investment opportunities to the Account over a period of time on a fair and equitable basis relative to other clients. Nothing in this Agreement shall be deemed to impose upon the Manager any obligation to purchase or sell for the Account any security or property which the Manager, its principal, affiliates or employees may purchase or sell for its or their own accounts or for the account of any other client.

10. **Responsibility for Non-Managed Funds.** The Client agrees that the Manager shall not be under any duty with regard to any assets, securities, funds or other property held by the Client which are not part of the Account.

11. **Investment Restrictions.** Unless the Client notifies the Manager in advance of any investment restrictions it wishes to impose in connection with the Investment Program and the Manager agrees in writing of any specific restrictions, the investments recommended for, or made on behalf of, an Account shall be deemed not to be restricted by virtue of the terms of any other contract or instrument purporting to bind the Client or the Manager. Any such restrictions now in effect shall be attached to this Agreement.

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<sup>1</sup> A "senior foreign political figure" is defined as a senior official in the executive, legislative, administrative, military or judicial branches of a foreign government (whether elected or not), a senior official of a major foreign political party, or a senior executive of a foreign government-owned corporation. In addition, a "senior foreign political figure" includes any corporation, business or other entity that has been formed by, or for the benefit of, a senior foreign political figure.

<sup>2</sup> "Immediate family" of a senior foreign political figure typically includes the figure's parents, siblings, spouse, children and in-laws.

<sup>3</sup> A "close associate" of a senior foreign political figure is a person who is widely and publicly known to maintain an unusually close relationship with the senior foreign political figure, and includes a person who is in a position to conduct substantial domestic and international financial transactions on behalf of the senior foreign political figure.

12. **Exculpation and Indemnification.** The Manager shall use its best efforts to increase the value of the Account; however, the Manager cannot and does not insure any such increase. Except for gross negligence, willful misconduct or bad faith, neither the Manager nor any of its directors, officers, affiliates, principal, employees or agents shall be liable hereunder or otherwise for any action performed or omitted to be performed or for any errors of judgment in managing the Account. The Client shall indemnify the Manager (and its officers, directors, principal, employees and agents) against any expense, loss, liability or damage arising out of any claim asserted, or threatened to be asserted by any third party, including attorney's fees as incurred, with respect to the matters as to which the Manager is exculpated from liability as set forth above.

13. **Confidentiality of Information.** Consistent with the Manager's privacy policy, the Manager shall not disclose information relating to the Client's affairs except in the ordinary course of effecting transactions for an Account and as may be required by law. As a condition to the delivery to the Client of monthly account statements describing the securities held in the Account, the Client agrees, and if the Client is a corporation or limited liability entity the Client agrees to cause its officers, employees, agents and advisors (collectively, "Representatives"), to treat confidentially such information and any other information obtained from the Manager with respect to the Manager's investment strategy, objectives and guidelines, together with any analyses, studies or other documents prepared by the Client or its Representatives which contain or otherwise reflect or are generated from such information.

14. **Notices.** Any notices required to be given hereunder shall be in writing and sent by certified or registered mail, return receipt requested, to the Manager and to the Client at the addresses set forth below their respective signatures hereto. Either party may change its address by giving notice in writing to the other party stating such new address. Commencing on the tenth day after the giving of such notice, such newly designated address shall be the party's address for the purpose of all notices or communications required or permitted to be given pursuant to this Agreement. Notices to the Client from the Manager shall be deemed given as of the close of business on the first business day after mailing. Notices to the Manager from the Client shall be deemed given as of the close of business on the day on which such notices are received by the Manager. The Manager may rely upon any notice (written or oral) from any person reasonably believed by it to be genuine and authorized.

15. **Termination.** This Agreement shall terminate upon the Manager or the Client receiving from the other written notice of termination, effective fifteen (15) business days' after such notice. Such termination shall be without liability of any party to the other, except that incentive fees shall be calculated (and, if due, paid) as if the termination date of the Account were the end of the calendar month, and the Client shall remain liable for any accrued but unpaid compensation due to the Manager under paragraph 4 hereof.

16. **Governing Law; Conferral of Jurisdiction.** This Agreement shall be construed in accordance with, and governed by, the laws of the Commonwealth of Virginia, without giving effect to its conflicts of law principles. Accordingly, the parties: (a) agree to service of process in any legal proceeding by sending copies thereof by (i) a recognized overnight courier service (e.g., Fedex, UPS or DHL) or (ii) by registered or certified mail, if practicable (postage prepaid) to the other party at the address set forth in this Agreement or updated as provided in item 14 hereof, and (b) consent and submit to the exclusive jurisdiction of the federal and state courts located within either Alexandria or Fairfax County, Virginia, and further agree that any action or proceeding brought by either party to enforce any right, assert any claim or obtain any relief whatsoever in connection with this Agreement shall be commenced by such party exclusively in the federal or state courts, or if appropriate, before an arbitral body, located within such counties and state. Each of the parties hereto hereby irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or related to this Agreement or the transactions contemplated hereby. In no event shall either party be liable to the other party for any special, incidental, or punitive damages caused on any theory of liability arising in any way out of this Agreement.

17. **Entire Agreement.** This Agreement shall constitute the entire agreement between the Manager and the Client with respect to the subject matter hereof and shall supersede any and all prior agreements and understandings, whether written or verbal and cannot be changed except by a written instrument signed by each of the parties hereto.

18. **Assignment; Binding Effect.** This Agreement may not be assigned (as that term is defined in the Investment Advisers Act of 1940) by either party without the prior written consent of the other. Subject to the

foregoing sentence, this Agreement shall be binding upon and inure to the benefit of each party's respective successors and permitted assigns.

19. **Waiver.** The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

20. **Severability.** If any provision of this Agreement is invalid or unenforceable, the balance of the Agreement shall remain in effect, and if any provision is inapplicable to any person or circumstance, it shall nevertheless remain applicable to all other persons and circumstances.

21. **Headings.** The headings contained in this Agreement are intended solely for convenience and shall not affect the rights of the parties to this Agreement.

22. **Counterparts.** This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall be deemed one and the same instrument.

23. **English as Principal Language.** This Agreement has been written in the English language and, in the event of any conflict or inconsistency between the English language version and any translation hereof the English language version shall prevail.

If the foregoing correctly sets forth our understanding, please sign and return to the Manager the enclosed copy of this letter.

FINANCIAL COMMODITY INVESTMENTS (FCI)  
462 Herndon Parkway, Suite 205  
Herndon, Virginia 20170

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Name of Client: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Email: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Name of Client: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Email: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## Schedule A

### Investment Fees and Allocations for Investment Programs

1. As compensation for its advisory services, the Manager will receive:

(a) A monthly, non-refundable management fee of 1/12 of 2% of the Net Assets of the client's account which shall be prepaid prior to the commencement of trading at each calendar month [the "Management Fee(s)"]. Net Assets shall mean an account's total assets, including any notional equity declared, less total liabilities. Net Assets will include the sum of all cash and any unrealized profit or loss on securities and open commodity positions. All securities and open commodity positions shall be valued at their then market value which means, with respect to open commodity positions, the settlement price determined by the exchanges on which such positions are maintained. If there are no trades on the date of the calculation due to the operation of the daily price fluctuation limits or due to closing of the exchange on which positions are maintained, the contract will be valued at the settlement price as determined by the exchange on the first subsequent day on which the position could be liquidated.

(b) A monthly fee based on the profitability of FCI's trading for the client's account. Such fee is 20% of Net Trading Profits [the "Incentive Fee(s)"]. Net Trading Profits is equal to the excess of an account's Net Assets at the end of the calendar month over its Net Assets at the end of the highest previous month or its Net Assets at the date trading commences, whichever is higher - i.e., the "high-water mark," and as further adjusted to eliminate the effect on the account's Net Assets resulting from new capital contributions or capital withdrawals, if any, made during the period, whether the assets are held separately or in a margin account. Losses attributable to capital withdrawals shall not be carried forward. Net Trading Profits shall be net of all accrued or payable brokerage commissions, fees and other expenses and shall include interest or other income not directly related to trading activity. The Incentive Fees calculation also includes, in part, unrealized appreciation on open positions. Such appreciation may never be realized by a client. For example, if at the end of a month the client's account had unrealized profits on open positions, FCI may receive an Incentive Fee based on such unrealized profits. Following such payments, those open positions might, due to adverse market conditions, be closed out at no profit or a loss; nevertheless if a client's account incurs a loss after an Incentive Fee has been paid, such Incentive Fee will not be rebated and FCI will retain the fee, but no further Incentive Fee will be made in subsequent months until the account again has Net Trading Profits. If an account closes out before the end of a month, the closing date will be deemed the end of the month for purposes of calculating such Incentive Fee.

2. Valuation of an Account shall be determined in accordance with Generally Accepted Accounting Principles. Without limitation, the definition shall include the following significant accounting policies, all of which are consistent with the aforementioned principles:

(a) "Market Value" of a securities interest traded on an exchange shall be its closing price or, if applicable, the mean of its closing bid and asked prices on the date of determination. If the exchange on which a securities interest is required to be valued is closed, or if a securities interest is not traded on such exchange, or if a securities interest did not trade on such exchange on the date of determination, such securities interest shall be valued as if the date of determination were the last previous date on which such exchange was open, or on which such securities interest traded on such exchange. In the absence of a readily ascertainable closing price or bid and asked price, the Market Value of a securities interest shall mean its Market Value as determined by the Manager on a basis consistently applied.

(b) "Market Value" of a commodity interest traded on a United States commodity exchange shall be based upon the settlement price on the commodity exchange on which the particular commodity interest is traded, provided that, if a commodity interest could not, in the judgment of the Manager be liquidated on the day with respect to which any determination is being made due to the operation of daily limits or other rules of the commodity exchange upon which that commodity interest is traded or otherwise, the settlement price on the first subsequent day on which the commodity interest could be liquidated shall be the basis for determining the Market Value of such commodity interest for such day, or such other value as the Manager may deem fair and reasonable. The Market Value of a commodity interest not traded on a United States commodity exchange shall mean its Market

Value as determined by the Manager on a basis consistently applied for each different variety of commodity interest, provided that, if a contract could not be liquidated on the day with respect to which Management Fees and Incentive Fees are being determined, the basis for determining the Market Value of such contract shall be such value as the Manager may deem fair and reasonable.

**EXHIBIT 2**

**CLIENT INFORMATION QUESTIONNAIRE**

As part of its due diligence process, Financial Commodity Investments, Inc. requires certain information about individually managed account clients. Please assist us by providing the information requested below. If, you, the client chooses to keep certain items confidential, please mark those items, sign and date the form.

**ACCOUNT INFORMATION**

Type of Account (Select One)

- Individual                       Joint Tenancy with Rights of Survivorship                       Tenants in Common  
 General Partnership     Limited Partnership     Corporate                       Trust

NOTE: For all types of accounts listed above, except Individual accounts, please attach agreement, amendment resolutions or offering documents.

Client Name: \_\_\_\_\_

Date of Birth: \_\_\_\_\_

Home Telephone: \_\_\_\_\_ Mobile Telephone: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Email: \_\_\_\_\_

Principal Occupation or Business / Years Employed:

\_\_\_\_\_

Mailing Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Telephone: \_\_\_\_\_

Annual Gross Income for Previous Two Years:

- \$0-\$249,999                       \$250,000-\$499,999                       \$500,000-\$999,999                       >\$1,000,000

Estimated Annual Income for Current Year:

- \$0-\$249,999                       \$250,000-\$499,999                       \$500,000-\$999,999                       >\$1,000,000

Liquid Net Worth:

- \$0-\$499,999       \$500,000-\$999,999       \$1,000,000-\$4,999,999  
 \$5,000,000-\$10,000,000       >\$10,000,000

Bank Reference: \_\_\_\_\_

Previous Investment Experience:

- |                      |                                    |                                    |                                     |                                    |
|----------------------|------------------------------------|------------------------------------|-------------------------------------|------------------------------------|
| Stocks/Bonds         | <input type="checkbox"/> 0-3 Years | <input type="checkbox"/> 4-5 Years | <input type="checkbox"/> 6-10 Years | <input type="checkbox"/> >10 Years |
| Funds                | <input type="checkbox"/> 0-3 Years | <input type="checkbox"/> 4-5 Years | <input type="checkbox"/> 6-10 Years | <input type="checkbox"/> >10 Years |
| Options              | <input type="checkbox"/> 0-3 Years | <input type="checkbox"/> 4-5 Years | <input type="checkbox"/> 6-10 Years | <input type="checkbox"/> >10 Years |
| Commodity Futures    | <input type="checkbox"/> 0-3 Years | <input type="checkbox"/> 4-5 Years | <input type="checkbox"/> 6-10 Years | <input type="checkbox"/> >10 Years |
| Limited Partnerships | <input type="checkbox"/> 0-3 Years | <input type="checkbox"/> 4-5 Years | <input type="checkbox"/> 6-10 Years | <input type="checkbox"/> >10 Years |

Please describe any previous futures experience in some detail: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Joint Account Holder:

Client Name: \_\_\_\_\_

Date of Birth: \_\_\_\_\_

Home Telephone: \_\_\_\_\_ Mobile Telephone: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Email: \_\_\_\_\_

Principal Occupation or Business / Years Employed:

\_\_\_\_\_

Mailing Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Telephone: \_\_\_\_\_

Annual Gross Income for Previous Two Years:

\$0-\$249,999       \$250,000-\$499,999       \$500,000-\$999,999       >\$1,000,000

Estimated Annual Income for Current Year:

\$0-\$249,999       \$250,000-\$499,999       \$500,000-\$999,999       >\$1,000,000

Liquid Net Worth:

\$0-\$499,999       \$500,000-\$999,999       \$1,000,000-\$4,999,999  
 \$5,000,000-\$10,000,000       >\$10,000,000

Bank Reference: \_\_\_\_\_

Previous Investment Experience:

Stocks/Bonds	<input type="checkbox"/> 0-3 Years	<input type="checkbox"/> 4-5 Years	<input type="checkbox"/> 6-10 Years	<input type="checkbox"/> >10 Years
Funds	<input type="checkbox"/> 0-3 Years	<input type="checkbox"/> 4-5 Years	<input type="checkbox"/> 6-10 Years	<input type="checkbox"/> >10 Years
Options	<input type="checkbox"/> 0-3 Years	<input type="checkbox"/> 4-5 Years	<input type="checkbox"/> 6-10 Years	<input type="checkbox"/> >10 Years
Commodity Futures	<input type="checkbox"/> 0-3 Years	<input type="checkbox"/> 4-5 Years	<input type="checkbox"/> 6-10 Years	<input type="checkbox"/> >10 Years
Limited Partnerships	<input type="checkbox"/> 0-3 Years	<input type="checkbox"/> 4-5 Years	<input type="checkbox"/> 6-10 Years	<input type="checkbox"/> >10 Years

Please describe any previous futures experience in some detail: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Do you understand this investment program is only suitable for risk capital?

Yes       No

Do you understand that your account should be considered a long-term investment?

Yes       No

Who has contact you with respect to service offered? \_\_\_\_\_

\_\_\_\_\_

Have you received a Disclosure Document?

Yes  No

Have you been given anything written or verbal that is contrary to what is in the Disclosure Document?

Yes  No

If yes, please explain: \_\_\_\_\_

Is this account a pool?

Yes  No

If yes, is it registered with the NFA or any other regulatory body?

Yes  No

If yes, please give the NFA identification number of the pool and the pool operator.

Pool Operator: \_\_\_\_\_ ID #: \_\_\_\_\_

If no, is the pool operating under an exemption and, if so, please explain: \_\_\_\_\_

Are you wiring money into your account from a non-U.S. financial institution?

Yes  No

If yes, please provide the address of the foreign bank / financial institution from which the funds will be arriving:

\_\_\_\_\_  
\_\_\_\_\_

Client represents that all evidence of identity provided is genuine and all related information furnished is accurate.

\_\_\_\_\_  
Client's Signature

\_\_\_\_\_  
Print Name

Date: \_\_\_\_\_

**EXHIBIT 3**

**TRADING AUTHORIZATION**

FINANCIAL COMMODITY INVESTMENTS (FCI)  
462 Herndon Parkway  
Suite 205  
Herndon, Virginia 20170  
E-Mail: ckendall@financialii.com  
Internet: www.financialcii.com

\_\_\_\_\_ [Name of Client], does hereby appoint FINANCIAL COMMODITY INVESTMENTS (FCI) with full power and authority as attorney-in-fact to buy and sell, on behalf of the Client's account carried at \_\_\_\_\_ [Name of FCM] Commodity Interests, including, but not limited to, options on commodities, as well as other related various securities and related instruments, and any rights pertaining thereto, pursuant to the trading program designated in that certain Investment Management Agreement among FINANCIAL COMMODITY INVESTMENTS (FCI) and the Client through the FCM.

This authorization shall terminate and be null, void and of no further effect immediately upon the earlier of (i) notice from FINANCIAL COMMODITY INVESTMENTS (FCI) pursuant to the terms of the said Investment Management Agreement or (ii) the termination of the said Investment Management Agreement by the Client.

\_\_\_\_\_  
Client's Signature

\_\_\_\_\_  
Print Name

Dated: \_\_\_\_\_

ACCEPTED AND AGREED TO:  
FINANCIAL COMMODITY INVESTMENTS (FCI)

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT 4**

**FEE PAYMENT AUTHORIZATION**

From: Client Name: \_\_\_\_\_

Account Number: \_\_\_\_\_

To: Name of FCM: \_\_\_\_\_

Subject to the provisions of the Investment Management Agreement of FINANCIAL COMMODITY INVESTMENTS (FCI) and \_\_\_\_\_ [Name of Client], which the Client has executed, you are hereby authorized to deduct and remit directly to FCI such management fees and Incentive Fees as FCI requests.

FCI will inform you of the exact amounts due on the agreed upon payment dates. The Client acknowledges and agrees that FCI is solely responsible for the computation of management fees and Incentive Fees and authorizes you to rely conclusively on remittance instructions submitted by FCI with respect to the amount and payment of management fees and Incentive Fees without further inquiry. It is understood that you shall not be required to pay funds as a result of FCI's instructions if there are not sufficient funds in the account of the Client.

You shall be indemnified and held harmless by the Client and FCI from any loss suffered or liability incurred by reason of any act or omission made in compliance with the authorization contained herein, unless such loss or liability was the result of your gross negligence or intentional misconduct.

This authorization will continue in effect until you have received written notice terminating it from the Client. Such notice will be mailed to FCI. Any notices required to be given hereunder shall be in writing and sent by certified or registered mail, return receipt requested.

FINANCIAL COMMODITY INVESTMENTS (FCI)  
462 Herndon Parkway, Suite 205  
Herndon, Virginia 20170

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Name of Client: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Email: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT 5**

**ADDITIONAL DEPOSIT REQUEST**

*To Be Completed By Existing Clients*

FINANCIAL COMMODITY INVESTMENTS (FCI)

462 Herndon Parkway

Suite 205

Herndon, Virginia 20170

E-Mail: ckendall@financialii.com

Internet: www.financialcii.com

Gentlemen:

I hereby irrevocably submit an additional deposit to my FCI account in the amount of  
\$ \_\_\_\_\_.

The undersigned hereby deposits the additional amount set forth above upon the terms and conditions described in the Disclosure Document and Investment Management Agreement. The undersigned restates all of the covenants, representations and warranties made in the undersigned's original Investment Management Agreement as if they were made on the date hereof and certifies that all of the financial information set forth in the undersigned's original Investment Management Agreement remains accurate and complete on the date hereof.

FINANCIAL COMMODITY INVESTMENTS (FCI)

462 Herndon Parkway, Suite 205

Herndon, Virginia 20170

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Name of Client: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Email: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT 6**

**WITHDRAWAL REQUEST**

FINANCIAL COMMODITY INVESTMENTS (FCI)  
462 Herndon Parkway  
Suite 205  
Herndon, Virginia 20170  
E-Mail: ckendall@financialii.com  
Internet: www.financialii.com

Gentlemen:

I hereby request a withdrawal of all or a portion of my Account with FCI, in accordance with the instructions provided below:

I understand that my Account is subject to a three (3) month "lock-up" period whereby the Account will be prohibited from redeeming monies in the Investment Program until the expiration of three (3) full calendar months proceeding the date of the initial investment. In addition, I understand that the Manager must receive no less than fifteen (15) days prior written notice of this planned withdrawal. Finally, I understand I may not withdraw funds from the Account, unless I intend to terminate the Investment Management Agreement, if to do so would cause the balance in my Account to fall below a level such that the Manager believes my Account should no longer be traded.

I hereby represent and warrant, in my individual capacity or as an authorized representative of a trust, partnership or corporation, that I am the true and lawful owner of the Account to which this request relates, with full power and authority to request a withdrawal of funds from the Account. I further represent and warrant that the Account in respect of which a withdrawal is herein requested is not subject to any pledge or other encumbrance.

As of the date set forth opposite my signature below, I request a withdrawal of \$\_\_\_\_\_.

\_\_\_\_ Withdraw request is hereby initiated with the intend of closing out all positions as soon as possible, even it means closing out positions at a loss.

\_\_\_\_ Withdraw request is hereby initiated with the intent of letting all current positions expire as best as possible. All parties hereby recognized the account will continue to be managed, is subject to management fees, and in certain situations, new and additional hedging contract positions may be added to the account.

Proceeds in respect of this withdrawal are to be sent to me by check drawn in U.S. dollars unless instructions for a bank wire transfer are provided, as follows:

\_\_\_\_\_  
(Name of bank)

\_\_\_\_\_  
(ABA/Swift Number of bank)

\_\_\_\_\_  
(Name, City, Country and branch of bank)

\_\_\_\_\_  
(Account number)

I have executed this request for withdrawal as of the \_\_\_\_\_, day of \_\_\_\_\_, 20\_\_\_\_\_.

FINANCIAL COMMODITY INVESTMENTS (FCI)  
462 Herndon Parkway, Suite 205  
Herndon, Virginia 20170

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Name of Client: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Email: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Notes:

(a) In the event of a joint Account, all Clients must sign.

(b) In the event of an Account held in the name of a trust, partnership or corporation, please provide the full name of the entity and official title of each person executing this request for withdrawal.

**EXHIBIT 7**

**SPECIAL DISCLOSURE FOR NOTIONALLY-FUNDED ACCOUNTS**

You should request your commodity trading advisor to advise you of the amount of cash or other assets ("Actual Funds") which should be deposited to the advisor's trading program for your account to be considered "Fully-Funded". "Actual Funds" means the equity in a commodity trading account over which a CTA has trading authority and funds that can be transferred to that account without the client's consent to each transfer.

You are reminded that the account size you have agreed to in writing (the "Nominal Account Size") is not the maximum possible loss that your account may experience. "Nominal Account Size" means the account size agreed to by the client that establishes the level of trading in the particular trading program. This is the amount upon which the commodity trading advisor will determine the number of contracts traded in your account and should be an amount sufficient to make it unlikely that any further cash deposits would be required from you over the course of your participation in the commodity trading advisor's program.

You should consult the account statements received from your futures commission merchant in order to determine the actual activity in your account, including profits, losses and current cash equity balance. To the extent that the equity in your account is at any time less than the nominal account size you should be aware of the following:

- 1. Although your gains and losses, fees and commissions measured in dollars will be the same, they will be greater when expressed as a percentage of account equity.**
- 2. You may receive more frequent and larger margin calls.**

\* \* \*

I have read and understood the above statement relating to my partially funded account.

I understand that my account will be traded pursuant to the Program offered by Financial Commodity Investments (FCI) (the "Advisor"). My account will be opened with a \$ \_\_\_\_\_ deposit by me into a trading account held by my futures commission merchant. My account will be traded as though it had been fully funded with \$ \_\_\_\_\_ and, therefore, will be funded only as to \_\_\_\_\_% of its nominal account size. The difference between my deposit and the nominal account size shall represent "notional funds."

I also understand that my account will generally be traded with a margin-to-equity ratio that may average \_\_\_\_\_% of the account if fully funded (equal to a \_\_\_\_\_% margin-to-equity ratio because of my partial funding).

For purposes of calculating the fees owed to the Advisor, the nominal account size (i.e., actual funds plus notional funds) shall represent the "initial equity" in the account.

I understand that the nominal account size will stay constant unless I provide instruction in writing to the contrary. Any additions to my account after the initial deposit shall be treated as an addition to the actual funds in the account and shall be subtracted from the notional funds. Any withdrawals from my account shall be treated as a withdrawal of actual funds and shall be added to the notional funds. I understand that, because my account is not fully funded, profits and losses will be larger as a percentage of actual account size and margin calls, if any, will be greater, when compared to accounts that are fully funded. I further understand that net performance will not effect the nominal account size.

*[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]*

IN WITNESS WHEREOF, the parties have caused this Special Disclosure for Notionally-Funded Accounts to be duly executed as of the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_.

\_\_\_\_\_  
First Client's Signature

\_\_\_\_\_  
Second Client's Signature

\_\_\_\_\_  
First Client's Name & Title

\_\_\_\_\_  
Second Client's Name & Title

FINANCIAL COMMODITY INVESTMENTS (FCI)

By: \_\_\_\_\_  
Craig Kendall, Principal