

## CFTC 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. THE HIGH DEGREE OF LEVERAGE THAT IS OFTEN OBTAINABLE IN COMMODITY TRADING CAN WORK AGAINST YOU AS WELL AS FOR YOU. THE USE OF LEVERAGE CAN LEAD TO LARGE LOSSES AS WELL AS GAINS.

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

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To access the database:

1. Request a pin number at [altavra.com](https://altavra.com).
2. After you receive your pin number, you can access the database at [portfolio.altavra.com](https://portfolio.altavra.com).
3. In the database, click on "List of Programs" at the top of the page to view all of the programs in the database.

\*PLEASE NOTE: There is no fee to access the database. This is not a trial access. The pin number does not expire.

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## Financial Commodity Investments (FCI)

### **Program Description: Option Selling Strategy (OSS)**

The goal of Financial Commodity Investments ("FCI") is to achieve appreciation with the use of alternative investment strategies. Financial Commodity Investments will attempt to obtain consistent quarterly returns that exceed those of the equity market and to protect capital against adverse market trends.

The Option Selling Strategy (OSS) Program engages in the selling or "writing" options (puts and calls) on futures contracts in the natural gas, crude oil, coffee, soybeans and corn markets, among others. However, in the future, Financial Commodity Investments may trade a broader portfolio of options, futures and cash markets. In doing so Financial Commodity Investments reserves the right to place trades in any commodity futures contract or option contract thereon, on any exchange, foreign or domestic, at Financial Commodity Investments sole discretion.

Financial Commodity Investments 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.

Financial Commodity Investments uses an approach to trading that relies heavily on selling or "writing" options on futures contracts. Financial Commodity Investments 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.

Financial Commodity Investments utilizes a market neutral trading strategy that does not attempt to forecast market direction. Financial Commodity Investments utilizes 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

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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). Financial Commodity Investment'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 Financial Commodity Investments 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 Financial Commodity Investments 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 Financial Commodity Investments 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 Financial Commodity Investments 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 Financial Commodity Investments's options program may depend on anticipating trends in the volatile price movements of futures contracts.

Financial Commodity Investments 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 a commodity
- The liquidity of an underlying asset and its related option

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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 Financial Commodity Investment'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.

Financial Commodity Investments plans on utilizing extensive research material to find and identify specific commodities and the underlying option contracts appropriate for these strategies. Financial Commodity Investment's investment managers are 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 Futures Commission Merchant, "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 Financial Commodity Investments will be achieved.

### **Risk Management**

Financial Commodity Investment's projects a trading range for a commodity contract over a specified period of time, usually one to six months. After considering other factors, Financial Commodity Investments 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, Financial Commodity Investments 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. Financial Commodity Investments must carefully manage this risk. If it does not manage this risk, a client could have substantial

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losses. In addition, there may be market conditions that make it impossible to properly manage this risk. Thus, Financial Commodity Investment'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.

#### **Program Description: Credit Premium Program (CPP)**

The Credit Premium Program (CPP) engages in 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, Financial Commodity Investments - Credit Premium Program may trade a broader portfolio of options, futures and cash markets. In doing so, Financial Commodity Investments reserves the right to place trades in any commodity futures contract or option contract thereon, on any exchange, foreign or domestic, at Financial Commodity Investments sole discretion.

Similar to the Option Selling Strategy program, the primary trading strategy of the Credit Premium Program will be to sell, on behalf of the client, options on futures contracts. However, the Credit Premium Program is different from the Option Selling Strategy program because it may sell options that are likely to be closer to the expiration date, ranging from four (4) days to ninety (90) days from expiration, [versus thirty (30) to forty-five (45) days from expiration for the Option Selling Strategy program], and closer to being "in the money". The program utilizes more of a vertical credit and calendar spread strategy, thus reducing per trade capital requirements. When premium collection transactions become unprofitable contracts, offsetting futures contracts or options are purchased as a hedge to limit further future contract losses. The net effect is the Credit Premium Program targets higher returns with additional contracts being executed. There is an increased likelihood of the strike price being met on options versus the portfolio of options written in the Option Selling Strategy Program. Furthermore, the Credit Premium Program is more progressive with its rolling forward, exiting out of option contracts, and with the rolling further out as a hedge to limit contract losses. The Credit Premium Program will also utilize directional futures trades from time to time. This will occur when underlying futures appear to be over extended in either an over- or under-valued status in relation to historical values of an underlying commodity. Finally, the Credit Premium Program will utilize larger margin account balances with capital requirements targeted at a range of 40% to 60% of the total account balance.

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## **Management Information**

Craig B. Kendall, is the owner and manager of Kendall & Company, Financial Investment, Inc. and Financial Investment, LP. Mr. Kendall, is a CPA licensed in the state 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".

In 1997, Mr. Kendall, founded Financial Investments, Inc. an investment firm participating in the acquisition of equities, private placement memorandums (PMM), and has participated in other investments securities. In 2001, Financial Investments, Inc. developed and Mr. Kendall is the general manager of Financial Investment, LP (FILP), a limited partnership developed to capitalize on the opportunities available using alternative investment vehicles.

Mr. Kendall is Series 3 and Series 66 licensed in the state of Virginia. He is a Registered Investment Advisor, and serves as a firm investment advisor. His business experience includes over twenty years in the finance, accounting and investment banking industry.

*The descriptions above are from the manager's website and disclosure documents.*