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Mr. Enrique Z. Fenig
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Re: U.S. Commodity Pool Regulation and Disclosure Requirements

Dear Henry:

The purpose of this letter is to confirm our conversation had last week that pursuant to the requirements of the U.S. Commodity Exchange Act, as amended (the ACE Act[®]), the rules and regulations promulgated thereunder by the U.S. Commodity Futures Trading Commission (CFTC[®]) and the rules and regulations of the U.S. National Futures Association (the NFA[®]), there are no specific requirements that commodity pools have any particular level of diversification in their portfolios of commodities, futures contracts, currency forward contract^{1/}, and options on the foregoing (collectively, Afutures[®]) or restrictions on levels of portfolio concentration.

As you know the North American Securities Administrators Association (NASAA[®]) is an organization composed of the securities regulators of the states of the United States which adopted guidelines in 1983 with respect to commodity pools which are publicly offered in the United States (the NASAA Guidelines[®]). The NASAA Guidelines also do not have any portfolio diversification requirements or concentration restrictions for publicly offered commodity pools.

Similarly there are no restrictions on the amount of leverage which a commodity pool may employ under the CE Act, the CFTC's regulations thereunder or the rules and regulations of the NFA. The NASAA Guidelines do not allow for publicly offered commodity pools to engage in pyramiding, i.e., the use of all or part of unrealized profits on an open futures position to acquire additional futures positions in the same or related futures. Of course, as a practical matter, US futures commission merchants and exchanges routinely establish margin requirements for persons trading through them based upon various factors such as the type of futures traded and issue margin calls when such levels are exceeded thereby effectively limiting the amount of leverage which a commodity pool may employ. U.S. futures exchanges also impose restrictions on futures commission merchants lending to their customers.

The focus of U.S. securities and commodities laws is on full disclosure of all material information to prospective investors in commodity pools. Accordingly, if a commodity pool operator were going to trade a highly concentrated portfolio of futures for a commodity pool, additional disclosure of this material information and the risks associated with such concentration should be disclosed in the pool's offering memorandum. In addition, if any investment policies will be followed by a commodity pool, such restrictions would be required to be disclosed in the pool's offering memorandum. Typically, commodity pool offering documents also include a range of the margin to equity ratios which are likely to be incurred by the pool's trading activities. In addition, pools are required under CFTC regulations to disclose the manner in which the pool will meet its margin requirements, the approximate percentage of the pool's assets which will be held in segregated accounts, if the pool fulfills its margin requirements other than by cash deposits, the nature of such deposits and if the margin deposits earn income, to whom interest income earned on margin will be paid.

If you have any questions concerning the foregoing, please feel free to call me.

Very truly yours,

J.P. Bruynes

JPB:bmw

cc: D. Grant Vingoe, Esq.

^{1/} The extent of the CFTC's jurisdiction over the currency forward markets is

subject to debate in the U.S.