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

No person is authorized by Qualia Financial Services, LLC to give any information or to
make any representations not contained herein.

The delivery of this Disclosure Document at any time does not imply that the information
contained herein is correct as of any time subsequent to the date of the Document.
RISK DISCLOSURE STATEMENT

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

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

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

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

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

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

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

IN SOME CASES, MANAGED COMMODITY ACCOUNTS ARE SUBJECT TO SUBSTANTIAL CHARGES FOR MANAGEMENT AND ADVISORY FEES. IT MAY BE NECESSARY FOR THOSE ACCOUNTS THAT ARE SUBJECT TO THESE CHARGES TO MAKE SUBSTANTIAL TRADING PROFITS TO AVOID DEPLETION OR EXHAUSTION OF THEIR ASSETS. THIS DISCLOSURE DOCUMENT CONTAINS, AT PAGE 8, A COMPLETE DESCRIPTION OF EACH FEE TO BE CHARGED TO YOUR ACCOUNT BY QUALIA FINANCIAL SERVICES, LLC.


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

I. INTRODUCTION

Qualia Financial Services, LLC (Qualia Financial) is an Ohio Limited Liability Company organized in September of 2002. Qualia Financial registered with the Commodity Futures Trading Commission (CFTC) as a Commodity Trading Advisor (CTA), and a Commodity Pool Operator (CPO) on September 30th, 2002. Qualia Financial Services contact information: 2689 Commons Blvd, Ste. 100, Beavercreek, Ohio 45431, 937-431-7980, and info@qualia-financial.com.

There have been no material administrative, civil, or criminal actions against Qualia Financial or its principals during the five years preceding the date of this Disclosure Document.

II. BUSINESS BACKGROUND

Qualia Financial was formed with the purpose of acting as a Commodity Trading Advisor. The trading models and automated trading system were developed in conjunction with the financial background of Mike Bettencourt and Dave McQuain and the expertise of the pattern recognition algorithmic engineers at Qualia Computing. Qualia Financial applies this platform in a system that makes intelligent decision-making and real-time autonomous trading a reality.

The performance of Qualia Financial is located on pages 12 – 15.

Qualia Financial’s record is based on the trading of multiple proprietary cognitive models. The models aim to determine if the market is trending or range bound and trade accordingly. Historically, our models have traded both E-mini S&P 500 and E-mini N100 futures markets. As of this disclosure document, Qualia trades only E-mini S&P 500 futures contracts. Qualia Financial’s models are uncorrelated to each other – operating over different timeframes with different parameters – the intent being to diversify risk specific to one model while maintaining or increasing returns. The performance data in this document are from the real-time trading of these models unless otherwise indicated.

The Adaptive S&P Program consists of one short-term S&P 500 model coupled with a risk management model. The unit size of the Adaptive S&P Program is $20,000, which trades one E-mini S&P futures contract. The model will almost always hold a position, either long or short, the exceptions being events outside the expertise of the strategy. For instance, we have taken our clients out of the market before and during natural disasters, terrorist attacks, and Federal Reserve announcements. We accept notional funding on this program on a case-by-case basis for as little as $10,000, however fees are charged like the account is $20,000. Actual performance of the Adaptive S&P Program is located at the end of this document.

The Adaptive S&P II Program has a unit size of $40,000 and trades two E-mini S&P futures contracts. The first contract is traded identical to the original Adaptive S&P Program. The second contract is traded only on days determined to be higher probability win days, reducing the overall exposure of the account. The effect is to attempt to reduce the risk and drawdown while providing for reasonable returns. The majority of the time the model will either be long or short, and will follow the same risk management techniques as the original Adaptive S&P Program. The Adaptive S&P II Program also accepts notional funding on a case-by-case basis.

The Index Program has consisted of intra-day, short-term, and medium-term models trading E-mini S&P 500 and E-mini Nasdaq 100 futures contracts. As of this disclosure document the Index Program does not trade any Nasdaq models but may in the future. Our unit size is $50,000 and may trade two E-mini S&P 500 contracts per $50,000 unit and one E-mini Nasdaq per unit. Qualia Financial accepts notionally funded accounts on a case-by-case basis for as little as $15,000, however fees are charged like the account is $50,000. Actual performance of the Index Program is located at the end of this document.
III. BACKGROUND OF PRINCIPALS

Qualia Financial’s principals consist of Michael Bettencourt, David McQuain, Steven Rogers, and Tom Shoup.

Michael Bettencourt and David McQuain are responsible for the model development, trading, marketing and support for Qualia Financial.

Michael Bettencourt received a Bachelor of Science in Mechanical Engineering from the United States Air Force Academy in 1995. He worked from 1995 to 1998 as a developmental engineer at Wright Patterson Air Force Base while he completed his MBA in Finance from The Ohio State University. From 1998 to 2000 Michael was a Financial Analyst in the International Finance division of the F-16 System Program office. He then was a securities analyst for a $4B money manager in Dayton. He joined QCI in 2000 as a Product Director. He has been the Managing Director of Qualia Financial since 2002. Michael passed the Series 3 exam in July 2002.

David McQuain received a BA from Northwestern University in 1957 and has over 40 years of experience in corporate research, development, and management positions with over 20 U.S. patents including 10 years of stock market system development. From 1988 to 1993 Dave was Vice President and a Director of Chronodynamics Ltd. From 1992 to 1994 Dave was President of Neuronetics, Inc. and from 1993 to 1996 was a Vice President of Lifeline Biotechnologies, Inc. From 1997 to 2002 Dave was with Qualia Computing, Inc. as a Vice President, Secretary and Treasurer. Since 2002, Dave has been a Vice President and a manager of Qualia Financial Services, LLC. He passed his Series 3 exam in July 2002.

Dr. Steve Rogers worked as a Professor of Electrical Engineering at the Air Force Institute of Technology from 1984 to 1996 overseeing PhD students work on smart weapons technology, neural networks, pattern recognition, and optical processing. He is a Fellow of the IEEE and SPIE. After leaving the Air Force in 1996 Dr. Rogers worked for the Battelle Memorial Institute as their Director of Cognitive Systems from 1997 to 1999. From 1997 to 2003 Dr. Rogers was the President and CEO of CADx and President and CEO of Qualia Computing, Inc. He was Chief Scientist for iCAD, Inc. during 2004 and 2005. Dr. Rogers was a manager of Qualia Financial from 2002 to 2005 and recently resigned his position to pursue other interests.

Tom Shoup is the Chief Operating Officer of iCAD, Inc. Previously he was the Executive Vice President of Qualia Computing, Inc. Tom accepted an appointment to the US Civil Service, assigned to the US Air Force from 1974 to 1996. He held increasingly responsible positions until he left to work in the private workforce. From 1996 to 2000 Tom was the President and COO of CAD CAM Inc that was later sold to Thinkpath. Tom joined QCI in 2000 as its first Chief Operating Officer which transitioned to Executive Vice President. Tom has been a manager of Qualia Financial since 2002.

IV. TRADING PROGRAMS

OBJECTIVE

Qualia Financial’s money management programs are designed primarily for sophisticated investors. The primary objective of Qualia Financial is the capital appreciation of its client’s assets through speculation in commodity futures contracts. No assurance can be given that this objective will be met, and an investment in an account to be traded by Qualia Financial should only be considered by investors that can assume the significant risk of commodity futures trading, including losses in excess of their initial investment. Qualia Financial will attempt to meet the objective of capital appreciation by making trading decisions based upon proprietary trading methods.

METHODOLOGY

Qualia Financial has created multiple uncorrelated cognitive models that analyze live tick data from the E-mini S&P 500 futures market and autonomously compute and execute intra-day and end-of-day trading decisions. Qualia Financial’s models are adaptive by nature and seek to characterize the market as trending or range-
bound and trade accordingly. The models are short term in nature, trading as much as daily or holding positions over several days. By fully automating the trading decision and trading process, Qualia Financial has an architecture that enables trading of multiple models and contracts for multiple accounts with minimal transaction errors and without emotional intervention. There can be no assurance that Qualia Financial's approach to trading will yield the same results as it has in the past.

Qualia Financial is dedicated to achieving superior risk-adjusted returns by following a systematic trading strategy governed by proprietary technical models. Our models provide candidate trades to an intelligent overlay. The overlay then utilizes context information to accept or reverse the candidate trades. Generally, the overlay reduces unprofitable trades and allows the model to adapt to current market conditions. Qualia Financial's trading programs typically demonstrate low to negative correlation with market indices and other trading programs.

Qualia Financial's technical trading approach is designed to be purely mechanical. This reflects Qualia Financial's belief that emotional trading decisions can be detrimental to performance. It is the intention of Qualia Financial to maintain this philosophy and not to override the system. However, since it is impossible to envision all possible situations, Qualia Financial reserves the sole and exclusive right to exercise intervention if deemed necessary or desirable.

V. RISK MANAGEMENT

The risk taken on each trade will be as controlled as possible. The programs may trade as often as daily but may hold positions over several days. In general, the Adaptive S&P Programs are in the market 100% of the time, either long or short. When planned or unplanned market events occur that we feel are not accounted for in our strategy, we reserve the right to take client accounts out of the market. For instance, we have taken accounts out of the market for Federal Reserve announcements, natural disasters, terrorist attacks, and holidays. The intent is to remove risk associated with trading during timeframes we do not believe the strategy is prepared for.

Furthermore, Qualia Financial has incorporated a stop methodology to limit exposure to client accounts during unprofitable trades. In general, our trading timeframe is very short, eliminating the risk associated with holding positions over weeks or months. Our stop methodology is based on intra-day movement and will either take clients out of the market or reverse their position. Accounts stopped out will most likely be placed back in the trade in the direction of the strategy at the end of the trading day.

VI. ACCOUNT SIZE AND FUNDING

Qualia Financial offers three trading programs, the Index Program, the Adaptive S&P Program, and the Adaptive S&P II Program.

The Adaptive S&P Program consists of one overnight adaptive model trading one E-mini S&P 500 contract per $20,000 unit. The margin requirement from various brokers as of November 2005 for trading one E-mini S&P contract was $3,938.

The Adaptive S&P II Program consists of two uncorrelated overnight adaptive S&P 500 models. Each $40,000 unit will trade two E-mini S&P 500 futures contracts. The margin requirement from various FCMs as of November 2005 for trading two E-mini S&P contracts was $7,876.

The Index Program currently consists of two Adaptive S&P Models and is a $50,000 unit. We are in the process of researching improvements to the Nasdaq Model and will continue trading it once research is complete.
Qualia Financial may in its sole discretion accept smaller accounts and accounts with notional funding. All customer accounts reported, pursuant to an Advisory published by the CFTC, must be documented by an agreement between the Qualia Financial and its client specifying the “Nominal Account Size” (agreed level of trading irrespective of amount of “Actual Funds,” including non-cash, margin qualifying assets, on deposit), how margin qualifying assets would affect or be related to the Nominal Account Size, and how and to what extent (as a percentage of the account’s Nominal Account Size) the account will be funded with Actual Funds. Actual Funds is defined as the amount of margin-qualifying assets on deposit in a commodity interest account, generally cash and marketable securities.

VII. CAPITAL MANAGEMENT

It is the intent of Qualia Financial to optimally manage the clients’ capital at all times.

In an attempt to limit client’s exposure to price movements, the average initial margin to equity ratio for both programs, at the recommended trading level, is approximately 15% - 20%. It is possible that various factors may cause the actual percentage of assets committed to margin at any time to be higher or lower than the expected level.

A client account is started with an agreed upon level of funding per unit and therefore a set number of contracts traded in that account. That level will not be changed unless the client instructs Qualia Financial in writing. For instance, a $20,000 Adaptive S&P account normally trading one unit (one E-mini S&P 500 contract) and reaching $40,000 will not increase to two units (two contracts) but will remain at one unit (one contract), unless the client informs Qualia Financial in writing.

The discussion of the capital management can become very detailed and any questions a client has about the capital management strategies will be answered by the Management.

VIII. FUTURES COMMISSION MERCHANT / INTRODUCING BROKER

Clients are free to choose the FCM of their choice as long as we are able to modify our system to work with that FCM’s trading platform. Clients may also choose to utilize the FCM of their choice that doesn’t work with our program if they are willing to execute a give-up agreement with an FCM we are able to work with. There is an additional fee associated with give-up agreements, typically ranging from $0.50 to $1.50 per round turn. The client will receive confirmations and statements normally sent by the FCM. Qualia Financial receives no direct or indirect remuneration from any FCM.

Clients are free to have their accounts introduced by an introducing broker (IB) if they so choose. This may result in higher round turn commissions on trades.

IX. FEES

Qualia Financial normally charges participating clients a quarterly management fee and a quarterly incentive fee. The fees are negotiable and may vary depending upon account size and other factors. All fees will be billed directly by Qualia Financial to the Futures Commission Merchant carrying the participating customer’s account, and will be paid to Qualia Financial from the amount on deposit in the account. Fees, which have been paid, will not be returned in the event of losses in subsequent periods.

QUARTERLY MANAGEMENT FEE. Qualia Financial normally charges a quarterly management fee of 0.5% (2% per annum) calculated and charged quarterly based on the Net Asset Value in the account at quarter-end. The management fee is to be calculated before any incentive fee is subtracted from the account. The term “Net Asset Value” means the net assets in the account (total assets less total liabilities), including interest income and unrealized profits and losses on open commodity interest positions. If a client withdraws from the Program on a date other than at the end of a quarter, management fees will be calculated and billed as if such a termination were at the end of the quarter. Where an account is partially funded, the quarterly
management fee shall be taken as a percentage of the account’s notional as well as committed funds plus realized and unrealized trading profits plus any interest credited to the account. Notional funding is the amount Qualia Financial and its clients have agreed to in writing that will determine the level of trading in an account regardless of the actual assets on deposit with the FCM.

QUARTERLY INCENTIVE FEE. Qualia Financial charges an incentive fee of 20% of profits. The quarterly incentive fee, which is calculated, accrued, and paid quarterly, is taken as a percentage of New Net Trading Profits. New Net Trading Profits are computed using the formula: (1) gross realized profit and loss during the period plus (2) the change in net unrealized profit and loss on open positions as of the end of the period, minus (1) all brokerage commissions and transaction fees and charges paid or accrued during the period and (2) cumulative net loss, if any carried over from other periods. The carryover of previous loss makes certain that incentive fees are paid only on the cumulative increases in the net gains of an account. It should be noted that the full loss is not carried over to the next quarter in an instance where there has been a partial withdrawal of funds. In such a case, the portion of the loss attributable to the withdrawn amount is first subtracted from the carryover loss. In addition, if an account does not have New Net Trading Profits in a given quarter, no incentive fee will be due to Qualia Financial unless and until the account experiences New Net Trading Profits in a subsequent quarter. The amount of the incentive fee due to Qualia Financial, if any, will be determined independently with respect to each quarter, and the amount of any such fee paid will not be affected by subsequent losses experienced in a participating customer’s account.

X. CONFLICTS OF INTEREST

Proprietary Trading. Qualia Financial currently trades four proprietary accounts. The trading records of the Qualia Financial proprietary accounts are available for inspection.

Competition for Trades. The client’s futures broker will effect transactions for many customers. Since the identities of the purchaser and the seller are not disclosed until after the trade, it is possible that the broker could effect transactions for clients in which the other parties to the transactions are other Qualia Financial customers or affiliates. Such persons might also compete with clients in making purchases and sales of futures contracts. Since similar orders, e.g., market orders, for the same futures interests are generally filled in the order in which they are received by a particular floor broker, transactions for any such persons might be effected when similar trades for clients are not executed or are executed at less favorable prices. Qualia Financial employs an equitable order entry system for all of its accounts and will not deliberately favor any account over another. However, no assurance is given that the performance of all accounts controlled by Qualia Financial will be identical. Qualia Financial’s Associated Persons (AP) reserve the right to execute trades for other Commodity Trading Advisors who may utilize similar or different models which could be in the same or opposite direction of our clients.

Futures Commission Merchants. Clients are free to choose the FCM of their choice as long as we are able to modify our system to work with that FCM’s trading platform. Clients may also choose to utilize the FCM of their choice that doesn’t work with our program if they are willing to execute a give-up agreement with an FCM we are able to work with. There is an additional fee associated with give-up agreements, typically ranging from $0.50 to $1.50 per round turn. The client will receive confirmations and statements normally sent by the FCM. Qualia Financial receives no direct or indirect remuneration from any FCM.

There are no other known conflicts of interest between Qualia Financial, its principals, its affiliates, its brokers, and its clients other than potentially those described above.

XI. RISK FACTORS

Futures Trading is Speculative and Volatile. The prices of most, if not all, futures contracts are highly volatile. Price movements for futures contracts, which may fluctuate substantially during a short period of time, are influenced by numerous factors that affect the commodities and financial futures markets, including but not limited to changing supply and demand relationships, government programs and policies, national and international political and economic events, and changes in interest rates. Although Qualia Financial normally
trades futures on U.S. exchanges, it may, in its sole discretion, trade futures and options on any international market. As a result, positions in any account may be concentrated in a single market. While Qualia Financial aims to provide diversification in its programs that use one or a few futures contracts by using a portfolio of diversified models and/or a market neutral strategy, the lack of diversification across markets in these programs may result in more volatility in these accounts than if the programs were diversified across markets.

**Futures Trading can be Highly Leveraged.** The low margin deposits required in futures trading permit an extremely high degree of leverage. Accordingly, 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 5% of the price of a futures contract is deposited as margin, a 5% decrease in the price of the futures contract would, if the contract were then closed out, result in a total loss of the margin deposit (brokerage expenses would also be incurred). Thus, like other leveraged investments, any futures trade may result in losses in excess of the amount invested.

To reduce the frequency of margin calls, Qualia Financial typically will not use leverage greater than approximately three times the margin per contract normally required by the relevant exchange for the program traded. The actual factor used to determine equity per contract traded by Qualia Financial may vary, however, depending upon market conditions and other considerations. Nevertheless, in spite of Qualia Financial’s requiring more equity per contract traded than the minimum margin required to trade, the inherent volatility of futures trading implies the likelihood of margin calls and the attendant risk of losses in excess of the amount invested.

**Futures Trading May be Illiquid.** Most United States futures exchanges limit the maximum amount above or below the previous day’s settlement price which futures contract prices may fluctuate during a single day by regulations referred to as “daily limits”. During a single trading day, no trades may be executed at prices beyond the daily limit. Once the price of a particular futures contract has increased or decreased to the limit point, it may be difficult, costly, or impossible to liquidate a position unless traders are willing to effect trades at or within the limit, which, typically, they are unwilling to do. Futures prices in particular contracts have occasionally moved the daily limit for several consecutive days with little or no trading. If this were to occur, Qualia Financial might be prevented from promptly liquidating unfavorable positions, which could subject the managed account to substantial losses. Those losses could significantly exceed the margin initially committed to the trades involved. In addition, even if prices have not moved the daily limit or no limits are in effect for the contracts traded in the account, the account may not be able to execute trades at favorable prices if little trading in the contracts is taking place. It is also possible that an exchange or the CFTC may suspend trading in a particular contract, order immediate settlement of a contract, or order that trading in a contract be conducted for liquidation of open positions only.

**Counter-Party Creditworthiness.** Qualia Financial trades on U.S. regulated futures exchanges. The clearing corporation acts as the counter party to each customer transaction. Nonetheless, a customer account can still be exposed to the risk of potential bankruptcy of the account’s Futures Clearing Merchant (FCM). If the bankruptcy of an FCM were to occur, a customer may only receive back a pro-rata share of their funds custodied at the FCM.

**Transaction Costs.** Certain of the trading systems currently used by Qualia Financial will trade frequently, on an intra-day basis. Such frequent trading may generate significant brokerage commissions that will have a negative effect on managed account profitability. Qualia Financial estimates that over a year commissions may equal as much as 15% of equity in some programs.

**Electronic Trading.** Qualia Financial’s programs and the Broker’s system communicate through electronic means and Qualia Financial will be relying on other entities such as the broker, the tick-data provider (Quote.com, eSignal, etc.), and the internet service provider to provide the means to compute and execute trades. Qualia Financial cannot be responsible for errors, omissions, negligence, delays in transmission of orders, failure of transmission or communication facilities, or any other item beyond Qualia Financial’s control.

**Concentration Risk.** The Index Program, as well as, the Adaptive S&P Programs are subject to increased risk due to the concentration of the investment in only one or two types of futures contracts and are not diversified among multiple commodities.
XII. ACCOUNT INFORMATION

Opening an Account
To open an account you should have read and fully understand this disclosure document. Once a client has decided to open an account, he or she should request the account opening documents from Qualia Financial Services, LLC, which consists of several documents and agreements.

The program funding is as follows: There is a $50,000 requirement for each unit of our Index Program traded. Each Index Program unit trades two E-mini S&P 500 contracts and may trade one E-mini Nasdaq contract.

There is a $20,000 requirement for each unit of our Adaptive S&P Program traded. Each Adaptive S&P Program unit trades one E-mini S&P 500 contract.


Notional funding will be considered on a case-by-case basis for all programs.

Closing an Account
A client may close his or her account at any time by notifying both Qualia Financial Services, LLC and the FCM or IB in writing. Qualia Financial Services, LLC will terminate trading if possible and close an account the same business day after receipt of written notification from the client or the client’s representative and confirmation from the FCM or IB. Qualia Financial Services, LLC may discontinue trading a client’s account at any time, at the Management’s discretion, by notifying the client in writing.

Adding & Withdrawing Funds
Additional funds may be added at any time by deposits directly with the FCM or IB. Withdrawals of funds may be made at any time to the point that a unit is funded to the actual or notional amount agreed to by both parties.
XIII. SPECIAL DISCLOSURE FOR NOTIONAL FUNDED ACCOUNTS

You should request your commodity trading advisor ("CTA") to advise you of the amount of cash or other assets (Actual Funds) which should be deposited to the CTA’s trading program for your account to be considered Fully Funded. This is the amount upon which the CTA 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 CTA’s program. You are reminded that the account size you have agreed to in writing (the “Nominal” or “Notional” account size) is not the maximum possible loss that your account may experience. You should review your account statements received from your FCM 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.

3. The conversion chart below accompanies Capsule Performance Table and may be used to convert the ROR’s in the capsule to corresponding ROR’s for particular partial funding level.

<table>
<thead>
<tr>
<th>PERCENTAGE LEVEL OF FUNDING</th>
<th>100</th>
<th>80</th>
<th>60</th>
<th>50</th>
<th>40</th>
</tr>
</thead>
<tbody>
<tr>
<td>50%</td>
<td>50</td>
<td>62.50</td>
<td>83.33</td>
<td>100</td>
<td>125</td>
</tr>
<tr>
<td>40%</td>
<td>40</td>
<td>50</td>
<td>66.67</td>
<td>80</td>
<td>100</td>
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<tr>
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<td>37.5</td>
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<td>60</td>
<td>75</td>
</tr>
<tr>
<td>20%</td>
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<td>25</td>
<td>33.33</td>
<td>40</td>
<td>50</td>
</tr>
<tr>
<td>10%</td>
<td>10</td>
<td>12.5</td>
<td>16.67</td>
<td>20</td>
<td>25</td>
</tr>
<tr>
<td>-10%</td>
<td>-10</td>
<td>-12.5</td>
<td>-16.67</td>
<td>-20</td>
<td>-25</td>
</tr>
<tr>
<td>-20%</td>
<td>-20</td>
<td>-25</td>
<td>-33.33</td>
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</tr>
<tr>
<td>-50%</td>
<td>-50</td>
<td>-62.50</td>
<td>-83.33</td>
<td>-100</td>
<td>-125</td>
</tr>
</tbody>
</table>
XIV. PERFORMANCE DISCLOSURE

Qualia Financial Performance Summary

Name of CTA: Qualia Financial
Name of Trading Program: Index

Inception of Trading by CTA: January 2002
Inception of Trading in Offered Program: *January 2002

# of accounts currently traded pursuant to the program as of 11/18/05: 1

Total nominal assets under management as of 11/18/05: $5,769,300
Total nominal assets traded pursuant to the program as of 11/18/05: $51,240

Largest monthly draw-down: 9.31% / May 2002

Number of profitable accounts that have opened and closed: 6
Range of returns experienced by profitable accounts: 3% - 16%

Number of losing accounts that have opened and closed: 17
Range of returns experienced by unprofitable accounts: -11% - -48%

Percentage Rates of Return

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>1.46%</td>
<td>6.48%</td>
<td>6.49%</td>
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*Please see the Notes to the Performance Summary for an explanation of changes made to the program from 2002 to 2003.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS
Qualia Financial Performance Summary

Name of CTA: Qualia Financial
Name of Trading Program: Adaptive S&P
Inception of Trading by CTA: January 2002
Inception of Trading in Offered Program: September 2003

# of accounts currently traded pursuant to the program as of 11/18/05: 39
Total nominal assets under management as of 11/18/05: $5,769,300
Total nominal assets traded pursuant to the program as of 11/18/05: $5,631,452
Largest monthly draw-down: 11.36% / May 2005
Worst peak-to-valley draw-down: 20.36% / Mar 2005 – June 2005
Number of profitable accounts that have opened and closed: 7
Range of returns experienced by profitable accounts: 2% - 17%
Number of losing accounts that have opened and closed: 18
Range of returns experienced by unprofitable accounts: -3% - -29%

Percentage Rates of Return

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PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS
Qualia Financial Performance Summary

Name of CTA: Qualia Financial
Name of Trading Program: Adaptive S&P II

Inception of Trading by CTA: January 2002
Inception of Trading in Offered Program: January 2004

# of accounts currently traded pursuant to the program as of 11/18/05: 2

Total nominal assets under management as of 11/18/05: $5,769,300
Total nominal assets traded pursuant to the program as of 11/18/05: $86,608

Largest monthly draw-down: 5.12% / May 2004
Worst peak-to-valley draw-down: 10.58% / July 2004 – Dec 2005

Number of profitable accounts that have opened and closed: 5
Range of returns experienced by profitable accounts: 3% - 15%

Number of losing accounts that have opened and closed: 9
Range of returns experienced by unprofitable accounts: -2% - -16%

Percentage Rates of Return

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PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS
Qualia Financial Performance Summary – Discontinued Programs

Name of CTA: Qualia Financial
Name of Trading Program: S&P (Discontinued)

Inception of Trading by CTA: January 2002
Inception of Trading in Offered Program: June 2003

# of accounts currently traded pursuant to the program as of 11/18/05: 0
Total nominal assets under management as of 11/18/05: $5,769,300
Total nominal assets traded pursuant to the program as of 11/18/05: $0

Largest monthly draw-down: 25.43% / September 2003
Worst peak-to-valley draw-down: 41.96% / June 2003 – August 2003

Number of profitable accounts that have opened and closed: 0
Range of returns experienced by profitable accounts: N/A

Number of losing accounts that have opened and closed: 2
Range of returns experienced by unprofitable accounts: -45% - -57%

Percentage Rates of Return

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PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS
XV. NOTES TO THE PERFORMANCE SUMMARY

Prior to registration, Qualia Financial traded accounts only for itself, family members, and close personal contacts familiar with Qualia Computing, Inc.’s technical background. With the inception of registration with the NFA, Qualia Financial began charging a 2% management fee and a 20% incentive fee for all new accounts. Our customers were charged fees that varied according to negotiations specific to each client. For the purpose of this document, returns for the systems have been adjusted to reflect what investors would have seen if the charges were in place. The performance summary shows the net returns after all trading costs, management fees, and incentive fees are subtracted.

*Qualia Financial's performance summary is based upon the returns generated by trading fully funded units in our Nasdaq 100 system during 2002 and our Index Program during 2003. The Index Program consisted of our Nasdaq 100 system and the S&P 500 model for January and February 2003.

Notional funding is accepted on a case-by-case basis. To determine returns for notionally funded accounts, please reference the notional funding table located earlier in this document.

The Performance Table was prepared on the basis of the compounded rate of return method, accounting for all trading costs, incentive and management fees of a fully-funded account.

**Total actual assets under management by CTA** is the aggregate of actual assets available for trading by the CTA. Actual assets mean all cash, cash equivalents and committed equity. It does not include notional equity.

**Total nominal equity under management by CTA** is the aggregate of actual assets explained above and notional equity assigned to the account.

**Largest monthly drawdown** is the worst loss experienced by an account over a specified period.

**Worst peak-to-valley drawdown** is the greatest cumulative percentage decline in month-end net asset value in an account due to losses during a period in which the initial month-end net asset value is not equaled or exceeded by a subsequent month-end net asset value.

**Monthly Rate of Return (nominal account size method)** is the Net Performance of all accounts divided by the sum of Nominal Beginning Equity of all accounts.