

Covered Call Overlay Strategy

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Portfolio Minimum: \$250,000

Management Fees:

Acct Balance	Fee
\$0 to \$1,000,000	0.50%
\$1M to \$3,000,000	0.40%
\$3M to \$5,000,000	0.35%
\$5M to \$10,000,000	0.30%
>\$10M	0.25%

Firm Overview

Capital Wealth Planning is an independent, fee-only Investment Advisory firm registered with the SEC. The firm has been building and managing private portfolios since 2005. Our focus is working with like-minded investment advisors in a sub-advisor capacity. We realize that as markets and environments change, the ability to adapt is crucial. We specialize in covered call writing, and that allows us to focus solely on what we do best. Recent history has shown us that the "buy and hold" strategy so widely used in the past, is no longer creditable by market pundits. Capital Wealth Planning exists at the forefront of implementing covered call strategies on Exchange Traded Funds (ETFs), and Concentrated Equity Positions.

Strategy Description

CWP's Concentrated Stock Covered Call Over-Write can help investors monetize the volatility of these concentrated equity holdings by selling out-of-the-money call options on the underlying securities. CWP's investment program can generate a modest additional income stream, supplementing the total return of the underlying security. Capital Wealth Planning monitors all open option positions on an ongoing basis and continually seeks to maximize income enhancement from the concentrated positions. Unlike many traditional covered call techniques, we target monthly expirations. We identify and "dial in" the most appropriate and richest yields and write our calls accordingly. As the underlying stocks move with the market, we constantly analyze all overwrite call positions to allow our clients to participate in up-trends. As the stocks approach our Strike Prices, we can sell the shares or roll-up the options and adjust our targets.

Covered Call Examples

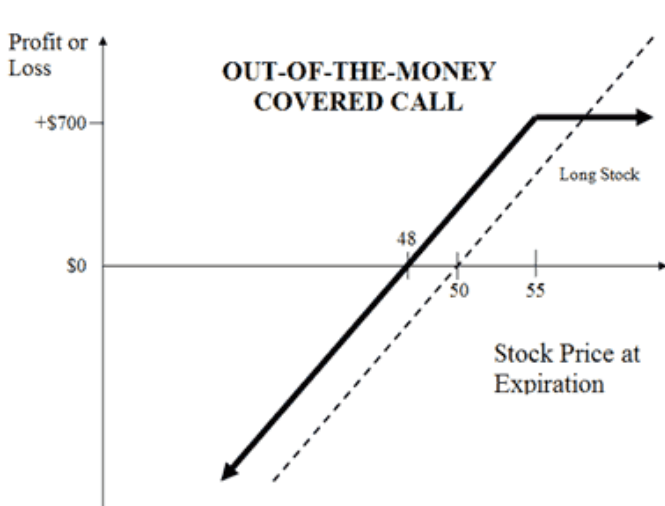
Hewlett Packard (HPQ): Covered Call

Symbol	Shares	Stock Price	Value	Covered Call Strike Price	% Out of the Money	Premium \$	Est. Annual Premium %	Mthly Cash Flow	Est. Annual Cash Flow
HPQ	25000	\$ 20.25	\$ 506,250.00	July \$22	8.64%	\$ 0.09	5.33%	\$ 2250.00	\$ 27,000.00

United Parcel Service (UPS): Covered Call

Symbol	Shares	Stock Price	Value	Covered Call Strike Price	% Out of the Money	Premium \$	Est. Annual Premium %	Mthly Cash Flow	Est. Annual Cash Flow
UPS	8900	\$ 76.50	\$ 680,850.00	July \$80	4.58%	\$ 0.21	3.34%	\$ 1,869.00	\$ 22,428.00

Covered Call Payoff Diagram



Who Should Consider Covered Calls?

- An investor who is neutral to moderately bullish on some equities in his portfolio.
- An investor who is willing to limit his upside potential in exchange for some downside protection.
- An investor who would like to be paid for assuming the obligation of selling a particular stock at a specified price.
- An investor who would like to increase income in range-bound markets.

Disclaimer

This illustration of potential portfolio cash flow from a covered call option writing program is not based on an actual portfolio. Covered call option cash flow for any portfolio will vary depending on actual portfolio positions, option premiums received, individual stock price volatility, and general stock market volatility. Positions covered by call options may be called away, creating realized capital gains or losses. Cash flow is not guaranteed over any period. More information may be found ADV Part II

Option trading is not suitable for all investors. The booklet "Characteristics and Risks of Standardized Options" can be found at: <http://www.cboe.com/Resources/Intro.aspx>

For Advisor use only

Additional Disclosure

Risks to Consider:

- While CWP takes considerable care in reducing the possibility of having shares called away, there can be no guarantee that the owner of the call option will not exercise the option prior to CWP's repurchase of the sold option.
- The actual income from the strategy will depend, to a large extent, on the Target Price of the underlying stock. Therefore, the amount of incremental cash yield is predominantly determined by investors' individual risk tolerances and willingness to sell the concentrated security.
- Covered Call writing can provide limited downside protection. It does not, however, eliminate downside risks. Options involve risk and are not suitable for all investors. Prior to opening an account with Capital Wealth Planning, clients are required to understand the risks associated with the purchase or sale of options by receiving the Options Clearing Corporation Publication, "Characteristics and Risks of Standardized Option Trading". Copies of this document may be obtained by your Financial Advisor or the Option Clearing Corporation, 440 LaSalle, Suite 2400, Chicago, IL 60605.
- Performance history is not available as a composite does not exist. The strategy is applied to a client's existing holdings and CWP is not involved in the selection of the underlying stock positions. As such, performance for each client may vary significantly.