



ADVISOR'S DISCLOSURE STATEMENT

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PURSUANT TO THE INVESTMENT ADVISOR'S ACT OF 1940
17 CFR 275.204-3 "BROCHURE RULE"

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FORM ADV Uniform Application for Investment Adviser Registration

Part II - Page 1

Name of Investment Adviser: Potomac Fund Management	
Address: (Number and Street) (City) (State) (Zip Code) 21 N Hanson Street Suite 203, Easton, MD 21601	Area Code: Telephone Number 888-768-6622

This part of Form ADV gives information about the investment adviser and its business for the use of clients. The information has not been approved or verified by any government authority.

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(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

Applicant: Potomac Fund Management	SEC File Number: 801-31311	Date: 12/31/2009
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1. A. Advisory Services and Fees. (check the applicable boxes) For each type of service provided, state the approximate % of total advisory billings from that service. (See instruction below.)

Applicant:

- | | |
|---|--------------|
| <input type="checkbox"/> (1) Provides investment supervisory services..... | _____ % |
| <input checked="" type="checkbox"/> (2) Manages investment advisory accounts not involving investment supervisory services..... | <u>100</u> % |
| <input type="checkbox"/> (3) Furnishes investment advice through consultations not included in either service described above..... | _____ % |
| <input type="checkbox"/> (4) Issues periodicals about securities by subscription..... | _____ % |
| <input type="checkbox"/> (5) Issues special reports about securities not included in any service described above..... | _____ % |
| <input type="checkbox"/> (6) Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities..... | _____ % |
| <input type="checkbox"/> (7) On more than an occasional basis, furnishes advice to clients on matters not involving securities..... | _____ % |
| <input type="checkbox"/> (8) Provides a timing service..... | _____ % |
| <input type="checkbox"/> (9) Furnishes advice about securities in any manner not described above..... | _____ % |

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

B. Does the applicant call any of the services it checked above financial planning or some similar term? Yes No

C. Applicant offers investment advisory services for: (check all that apply)

- | | |
|---|--|
| <input checked="" type="checkbox"/> (1) A percentage of assets under management | <input type="checkbox"/> (4) Subscription fees |
| <input type="checkbox"/> (2) Hourly charges | <input type="checkbox"/> (5) Commissions |
| <input type="checkbox"/> (3) Fixed fees (not including subscription fees) | <input type="checkbox"/> (6) Other |

D. For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

2. Types of clients - Applicant generally provides investment advice to: (check those that apply)

- | | |
|---|--|
| <input checked="" type="checkbox"/> A. Individuals | <input checked="" type="checkbox"/> E. Trusts, estates, or charitable organizations |
| <input type="checkbox"/> B. Banks or thrift institutions | <input checked="" type="checkbox"/> F. Corporations or business entities other than those listed above |
| <input type="checkbox"/> C. Investment companies | |
| <input checked="" type="checkbox"/> D. Pension and profit sharing plans | <input checked="" type="checkbox"/> G. Other (describe on Schedule F) |

3. Types of Investments. Applicant offers advice on the following: (check those that apply)

- | | |
|---|--|
| <p>A. Equity Securities</p> <p><input checked="" type="checkbox"/> (1) exchange-listed securities</p> <p><input checked="" type="checkbox"/> (2) securities traded over-the-counter</p> <p><input type="checkbox"/> (3) foreign issues</p> <p><input type="checkbox"/> B. Warrants</p> <p><input type="checkbox"/> C. Corporate debt securities
(other than commercial paper)</p> <p><input type="checkbox"/> D. Commercial paper</p> <p><input type="checkbox"/> E. Certificates of deposit</p> <p><input type="checkbox"/> F. Municipal securities</p> <p>G. Investment company securities</p> <p><input checked="" type="checkbox"/> (1) variable life insurance</p> <p><input checked="" type="checkbox"/> (2) variable annuities</p> <p><input checked="" type="checkbox"/> (3) mutual fund shares</p> | <p><input type="checkbox"/> H. United States government securities</p> <p>I. Options contracts on:</p> <p><input type="checkbox"/> (1) securities</p> <p><input type="checkbox"/> (2) commodities</p> <p>J. Futures contracts on:</p> <p><input type="checkbox"/> (1) tangibles</p> <p><input type="checkbox"/> (2) intangibles</p> <p>K. Interests in partnerships investing in:</p> <p><input type="checkbox"/> (1) real estate</p> <p><input type="checkbox"/> (2) oil and gas interests</p> <p><input type="checkbox"/> (3) other (explain on Schedule F)</p> <p><input type="checkbox"/> L. Other (explain on Schedule F)</p> |
|---|--|

4. Methods of Analysis, Sources of Information, and Investment Strategies.

A. Applicant's security analysis methods include: (check those that apply)

- | | |
|---|---|
| (1) <input checked="" type="checkbox"/> Charting | (4) <input checked="" type="checkbox"/> Cyclical |
| (2) <input checked="" type="checkbox"/> Fundamental | (5) <input checked="" type="checkbox"/> Other (explain on Schedule F) |
| (3) <input checked="" type="checkbox"/> Technical | |

B. The main sources of information applicant uses include: (check those that apply)

- | | |
|---|---|
| (1) <input checked="" type="checkbox"/> Financial newspapers and magazines | (5) <input type="checkbox"/> Timing services |
| (2) <input type="checkbox"/> Inspections of corporate activities | (6) <input checked="" type="checkbox"/> Annual reports, prospectuses, filings with the Securities and Exchange Commission |
| (3) <input checked="" type="checkbox"/> Research materials prepared by others | (7) <input type="checkbox"/> Company press releases |
| (4) <input type="checkbox"/> Corporate rating services | (8) <input checked="" type="checkbox"/> Other (explain on Schedule F) |

C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- | | |
|--|---|
| (1) <input checked="" type="checkbox"/> Long term purchases
(securities held at least a year) | (5) <input type="checkbox"/> Margin transactions |
| (2) <input checked="" type="checkbox"/> Short term purchases
(securities sold within a year) | (6) <input type="checkbox"/> Option writing, including covered options, uncovered options or spreading strategies |
| (3) <input checked="" type="checkbox"/> Trading (securities sold within 30 days) | (7) <input checked="" type="checkbox"/> Other (explain on Schedule F) |
| (4) <input type="checkbox"/> Short sales | |

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5. Education and Business Standards.

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients? Yes No
(If yes, describe these standards on Schedule F.)

6. Education and Business Background.

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- name • formal education after high school
- year of birth • business background for the preceding five years

7. Other Business Activities. (check those that apply)

- A. Applicant is actively engaged in a business other than giving investment advice.
- B. Applicant sells products or services other than investment advice to clients.
- C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

8. Other Financial Industry Activities or Affiliations. (check those that apply)

- A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:

- | | |
|--|--|
| <input type="checkbox"/> (1) broker-dealer | <input type="checkbox"/> (7) accounting firm |
| <input type="checkbox"/> (2) investment company | <input type="checkbox"/> (8) law firm |
| <input type="checkbox"/> (3) other investment adviser | <input type="checkbox"/> (9) insurance company or agency |
| <input type="checkbox"/> (4) financial planning firm | <input type="checkbox"/> (10) pension consultant |
| <input type="checkbox"/> (5) commodity pool operator, commodity trading adviser or futures commission merchant | <input type="checkbox"/> (11) real estate broker or dealer |
| <input type="checkbox"/> (6) banking or thrift institution | <input type="checkbox"/> (12) entity that creates or packages limited partnerships |

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest? Yes No

(If yes, describe on Schedule F the partnerships and what they invest in.)

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9. Participation or Interest in Client Transactions.

Applicant or a related person: (check those that apply)

- A. As principal, buys securities for itself from or sells securities it owns to any client.
- B. As broker or agent effects securities transactions for compensation for any client.
- C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

Describe, on Schedule F, your code of ethics, and state that you will provide a copy of your code of ethics to any client or prospective client upon request.

10. Conditions for Managing Accounts. Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services Yes No
and impose a minimum dollar value of assets or other conditions for starting or maintaining an account?

(If yes, describe on Schedule F.)

11. Review of Accounts. If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

See Schedule F for details

B. Describe below the nature and frequency of regular reports to clients on their accounts.

The Custodian provides statements detailing transactions and account positions at the end of each month, and in some cases at the end of each quarter.

12. Investment or Brokerage Discretion.

- A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:
- | | | |
|--|-------------------------------------|-------------------------------------|
| | Yes | No |
| (1) securities to be bought or sold? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| (2) amount of the securities to be bought or sold? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| (3) broker or dealer to be used? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| (4) commission rates paid? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

- B. Does applicant or a related person suggest brokers to clients? Yes No

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

13. Additional Compensation.

Does the applicant or a related person have any arrangements, oral or in writing, where it:

- | | | |
|---|---|--|
| A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| B. directly or indirectly compensates any person for client referrals? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |

(For each yes, describe the arrangements on Schedule F.)

14. Balance Sheet. Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities (unless applicant is registered or registering only with the Securities and Exchange Commission); or
- requires prepayment of more than \$500 in fees per client and 6 or more months in advance

Has applicant provided a Schedule G balance sheet? Yes No

**Schedule F of
FORM ADV
Continuation Sheet for Form ADV Part II**

Applicant: Potomac Fund Management	SEC File Number: 801- 31311	Date: 12/31/2009
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Potomac Fund Management	IRS Empl. Ident. No.: 52-1542454
Item of Form Answer	

Item 1. A. (2)

The primary service offered by the Advisor, Potomac Fund Management Inc. (Potomac) is a portfolio management service through numerous investment strategies. These strategies span a wide range of risk and performance objectives, with the majority of assets being held in third-party mutual funds.

This service is offered on a non-discretionary and discretionary basis. For discretionary accounts, Potomac will have the authority to supervise and direct the portfolio without prior consultation with the client. Potomac does not have custody of, or title to client's funds at any time.

At the time each client opens an account, the client is asked to provide information regarding Client's investment experience, liquidity requirements, tolerance for risk and general financial condition. Client decides the investment strategy and the investment strategies are:

Guardian

OBJECTIVE:

This strategy is designed to provide consistent conservative growth and preservation of capital by participating in U.S. and international markets and to limit portfolio volatility and risk of extensive loss.

DESCRIPTION:

The Guardian strategy is actively allocated across many sectors and/or asset classes, over weighting those exhibiting the best risk-to-reward ratio. Investments are primarily limited to low volatility mutual funds in an overall effort to reduce downside exposure. Through the careful selection of funds with a history of providing higher risk-adjusted returns, the opportunity for higher returns may still be achieved while maintaining lower risk. Specialty investments – with greater volatility – may be used from time to time to hedge risk and provide for smoother returns. Risk-managed policies employ the use of cash or money market funds during adverse conditions; these positions could at times be 100%.

PROSPECTIVE CLIENT:

This strategy is suitable for investors wanting the broad diversification to equity markets offered by mutual funds. The typical Guardian client is most concerned with conservative growth and capital preservation.

Navigrowth

OBJECTIVE:

This strategy is designed to provide moderate to aggressive growth while participating in U.S. and international markets and to limit portfolio volatility and risk of extensive loss.

DESCRIPTION:

The Navigrowth strategy is actively allocated across many sectors and/or asset classes over weighting those exhibiting the best risk-to-reward ratio. There are no restrictions on the risk level of investments chosen. However, investments are limited to mutual funds with an emphasis on those that exhibit superior risk-adjusted returns in an overall effort to promote growth while limiting risk. Specialty investments – with greater volatility – may be used from time to time to hedge risk and provide for smoother returns. Risk-managed policies employ the use of cash or money market funds during adverse conditions; these positions could at times be 100%.

PROSPECTIVE CLIENT:

This strategy is suitable for investors wanting exposure to equity markets with an emphasis on a combination of moderate to aggressive growth and capital preservation. The typical Navigrowth client is willing to occasionally accept more risk than in other Potomac strategies with the goal of achieving a higher than market return while still preserving capital.

Bull Bear

OBJECTIVE:

This strategy is designed to provide moderate to aggressive growth while participating in U.S. markets both on the long

**Schedule F of
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Continuation Sheet for Form ADV Part II

Applicant: Potomac Fund Management	SEC File Number: 801- 31311	Date: 12/31/2009
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

I. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Potomac Fund Management	IRS Empl. Ident. No.: 52-1542454
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(buy) side and short (inverse) side, and to limit portfolio volatility and risk of extensive loss.

DESCRIPTION:

This strategy holds cash the majority of the time while waiting for the optimum opportunity to invest either on the long or short side. When Bull Bear does invest on the long side, it will buy a 150% leveraged S&P 500 index fund. The decision to move into the S&P 500-index fund is made by Potomac's Investment Committee upon review of various technical market indicators, and only when they are strongest. If the market indicators used to make investment decisions turn strongly negative, Potomac's Investment Committee may short the market through the use of an inverse fund.

PROSPECTIVE CLIENT:

The typical Bull Bear investor has a long-term moderate to aggressive growth focus and invests only a portion of their portfolio in this strategy.

Advisor Express

OBJECTIVE:

This strategy is designed to provide moderate growth, using the Fidelity Funds universe, while participating in U.S. and international markets and to limit portfolio volatility and risk of extensive loss.

DESCRIPTION:

The Advisor Express/403(b) strategy is actively allocated across many sectors and/or asset classes over weighting those exhibiting the best risk-to-reward ratio. Investments are limited to mutual funds available in the large and broad based Fidelity Funds universe. Allocations can vary from highly diversified to highly concentrated in order to take advantage of the current and forecasted market environment. Risk managed policies employ the use of cash or money market funds during adverse conditions; these positions could at times be 100%.

PROSPECTIVE CLIENT:

This strategy is suitable for investors wanting exposure to equity markets with an emphasis on a combination of moderate growth and capital preservation. The typical Advisor Express/403(b) client is one enrolled in a program that restricts the investment selection to the Fidelity Funds universe.

Income Plus

OBJECTIVE:

This strategy is designed to provide a stable long-term total return from current income and consistent capital appreciation with a goal of achieving an absolute return under all market conditions by participating primarily in U.S. and international fixed income, market neutral and specialty investments.

DESCRIPTION:

The Income Plus strategy is actively allocated across fixed income, market neutral and specialty mutual funds that demonstrate very low volatility and superior risk adjusted returns. The core investments in the Income Plus strategy shall be comprised of investment grade corporate and government bond mutual funds. Depending on credit risk conditions or interest rate volatility, this strategy may shift a portion of the assets to bond mutual funds that hold bonds that are lower than investment grade such as high yield bonds or to inflation protected bonds. In addition, this strategy may also invest in

mutual funds that use derivatives, credit default swaps, merger/arbitrage and emerging market income positions. Specialty investments – with greater volatility – may be used from time to time to hedge risk and provide for smoother returns. Risk managed policies employ the use of cash or money market funds during adverse conditions; these positions could at times be 100%.

PROSPECTIVE CLIENT:

This strategy is suitable for investors wanting a steady source of income with the potential for growth sufficient to maintain stable asset levels after inflation. The typical Income Plus client is the most risk adverse and will have a shorter investment time horizon than investors in other Potomac strategies.

**Schedule F of
FORM ADV**

Continuation Sheet for Form ADV Part II

Applicant: Potomac Fund Management	SEC File Number: 801- 31311	Date: 12/31/2009
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

I. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Potomac Fund Management	IRS Empl. Ident. No.: 52-1542454
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ADVISORY FEE SCHEDULE:

<u>Account Value</u>	<u>Annual Management Fee</u>
First \$100,000	2.5%
Next \$400,000	2.0%
Next \$500,000	1.75%
Over \$1,000,000	1.25%

Fees are billed quarterly, in advance at 1/4 of the annual rates shown above. If a client has more than one account with Potomac, all account balances will be aggregated to determine which rate scale applies. Potomac may negotiate fees in certain cases. In such instances the fee is stipulated and agreed upon with the client's acceptance of the Advisory Agreement. Fees for additional amounts invested shall be prorated for the remaining portion of the quarterly billing cycle and billed in arrears at the next billing period. No fee adjustments of less than \$100 will be made for partial withdrawals.

All payments for service are due in advance on the first day of the billing period. In the event of termination by investor within five business days of the effective date of the agreement, the fee will be refunded in full. All agreements remain in full force until terminated by either party. Either party may terminate the agreement at any time by giving written notice. Upon termination fees are refundable on a pro rata basis after deduction for administrative costs up to \$300.

Officers and Directors of Potomac, Sales Representatives and certain other person may be charged less than full fee, as previously detailed, upon approval of an authorized Potomac executive. Clients are responsible for all fees imposed by custodian and mutual funds. These fees may include, but are not limited to, transaction fees, account service fees, loads, and redemption fees. Account service fees may include items such as IRA custodial fees, wire transfer fees, etc. Some funds carry short-term redemption fees up to 2%, which vary by fund in terms of percentage and minimum required holding period. Mutual funds not included on institutions No-Transaction Fee Network are subject to a transaction fee upon purchase or sale. Clients are responsible for any fees associated with load funds or insurance products.

MISCELLANEOUS

Client Responsibility. It remains the client's responsibility to advise Potomac (and/or the Solicitor that introduced the client to Potomac), in writing, of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review investment objectives and account performance on an annual basis. If the client is referred to Potomac by a Solicitor (see paragraph 13B below), the client should direct all such communications to the Solicitor. Please Note: In performing its services, Potomac shall not be required to verify any information received from the client or from the client's other professionals, including the Solicitor, and is expressly authorized to rely thereon. At all times, the Solicitor shall be exclusively responsible for: (1) determining initial and ongoing client suitability for the various Advisor investment strategies; and, (2) for receiving/ascertaining all client directions, notices and instructions, and forwarding them to Potomac, in writing. Potomac shall be entitled to rely upon any such direction, notice, or instruction until it has been duly advised, in writing, of changes therein. Potomac shall have no responsibility to the client for the failure of the Solicitor to timely receive/ascertain/forward/communicate any and all such directions, notices and instructions.

Please Note: Inverse/Enhanced Market Strategies. Potomac may also utilize leveraged long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of

**Schedule F of
FORM ADV**

Continuation Sheet for Form ADV Part II

Applicant: Potomac Fund Management	SEC File Number: 801- 31311	Date: 12/31/2009
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

I. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Potomac Fund Management	IRS Empl. Ident. No.: 52-1542454
Item of Form Answer	

increasing gains in an advancing market. There can be no assurance that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct Potomac, in writing, not to employ any or all such strategies for his/her/their/its accounts

Please Note: Investment Risk. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Potomac) will be profitable or equal any specific performance level(s).

Item 2. G.

Other Investment Advisors

Item 4. A. (5)

Potomac has entered into a License Agreement with Potomac Advisors (Licensor). The President and Portfolio Manager of Licensor is Richard M. Paul. Under the terms of this agreement Mr. Paul supplies analysis, research and recommendations as to investment selections. Through the License agreement with Potomac Advisors, Mr. Paul is an independent contractor, not an employee of Potomac.

Item 4. B. (8)

See 4A.

Item 4. C. (7)

See 4A.

Item 5.

Potomac Fund Management, Inc. requires advisors to either demonstrate technical competency through successful completion of accredited university studies and/or its educational and business equivalent, through demonstrated performance, or by achieving industry recognized licensing requirements and experience.

Item 6.

Background information is listed for individuals on the investment committee, those that determine general investment advice and firm executives. If your account representative is not listed, please see your representatives brochure.

Mark J. Palamaras Jr. President, Investment Committee Chairman, was born December 10, 1968. Mr. Palamaras holds a BS degree from Frostburg State University and the Certified Financial Planner, CFP, designation. In 1991 he joined Potomac Fund Management as a research Analyst. In 1996 he became Vice President of Potomac and as of November 2003 has been employed in the capacity of President.

Manish Khatta, Vice President, Investment Committee Member, Investment Advisor Representative was born January 10, 1980. Mr. Khatta holds a BS degree in Finance from the University of Maryland. He has been a full time employee with Potomac since January 2002 and as of June 2004 has been employed in the capacity of Vice President.

Richard M. Paul, Investment Advisor Representative was born August 19, 1943. Mr. Paul holds a degree in Electrical Engineering from New York University. He served as President of Potomac from September 1987 to November 2003. Since November 2003 Mr. Paul has worked as an independent contractor with Potomac.

**Schedule F of
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Continuation Sheet for Form ADV Part II**

Applicant: Potomac Fund Management	SEC File Number: 801- 31311	Date: 12/31/2009
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Potomac Fund Management	IRS Empl. Ident. No.: 52-1542454
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Item 9. Code of Ethics

A copy of Potomac's code of ethics is available upon request.

Item 9. E.

Potomac has implemented an investment policy relative to personal securities transactions. This investment policy is part of Potomac's overall Code of Ethics, which serves to establish a standard of business conduct for all of Potomac's Associated Persons that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

Potomac or any officer, employee, or sales representative may buy or sell any investment that are recommended to clients.

Potomac believes that no conflict of interest would exist in these practices since: 1) transactions involving money market and other mutual funds do not present the same opportunities for abuse as could result from transactions involving underlying portfolio securities of mutual funds, 2) the secondary market shares of such mutual funds is either nonexistent or insignificant to the extent that the Advisor may make trades in anticipation of the market activity which may follow an advisory recommendation, 3) Potomac makes every attempt to effect transactions in mutual funds at the same daily or hourly price for its clients, its officers and/or employees. Furthermore, prices of the open-end funds traded are determined by the value of the underlying portfolio securities of the mutual fund rather than by an open auction of the fund shares.

Item 10.

Potomac imposes a minimum initial account value of \$50,000 for all investment strategies. Minimums are subject to change.

Item 11. A.

All securities held in various client accounts are reviewed on a daily basis by one of the investment committee members. All accounts participating in the same investment strategy are managed in a similar manner. The daily reviews focus on the analysis of all investment positions with respect to: price action of securities. Individual accounts are reviewed by trading personnel before and after a trade is made along with the normal monthly and quarterly reviews conducted by administrative staff. Monthly reviews focus on reviewing and confirming monthly account balances. Quarterly reviews focus on confirming performance is in alignment with the majority of client accounts traded similarly.

Events triggering additional reviews include: client requests, changes in client objectives or financial status, world and political events, and other events that may affect investment positions.

It remains the client's responsibility to advise the Potomac (and/or the Solicitor that introduced the client to Potomac), in writing, of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review investment objectives and account performance on an annual basis. If the client is referred to Potomac by a solicitor, the client should direct all such communications to the Solicitor.

Item 12. A. (1)

Potomac maintains limited discretion. The advisory agreement limits this discretion to investment selection and execution, as well as distribution of funds to the address of record.

**Schedule F of
FORM ADV**

Continuation Sheet for Form ADV Part II

Applicant: Potomac Fund Management	SEC File Number: 801- 31311	Date: 12/31/2009
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Potomac Fund Management	IRS Empl. Ident. No.: 52-1542454
Item of Form Answer	

Item 12. A. (2)

See A1

Item 12. B.

Broker-dealers may be recommended but the advisory client remains responsible for the selection and account application. Brokers are recommended based on the variety and range of mutual funds available, relative commission rates, financial condition, operations, compliance, due diligence, trading practices, and the efficiency and accuracy of effecting transactions. Products and research services are usually not factors in selecting the brokers. Full disclosure is maintained. Commissions are customary, although Potomac Fund Management, Inc. does not receive any portion of said commission and there is no additional research fee. As always, full disclosure is exercised and clients maintain full discretion.

Item 13. B.

Potomac's services are primarily marketed by solicitor agreements. Potomac enters into written agreements with certain individuals and entities who will act as solicitors of Potomac's investment advisory services. Solicitors are compensated for referrals by receiving a portion of the fee paid by clients to Potomac in accordance with a written solicitor's referral agreement which complies with the Federal regulations as set out in 17CFR Section 275.206(4)-3(a). Such an agreement requires the IAR's to: (1) provide the client with a separate solicitor's written disclosure document, which complies with the federal regulations as set out in 17CFR section 275.206(4)-3(b), prior to or at the time of entering into any advisory contract and (2) provide Potomac with a copy of a signed and dated acknowledgment of receipt of the same disclosure document by the client. Licensed IAR's with a broker dealer may receive or have received commissions for customer's initial purchase, depending on the strategy entered into by the client. Neither Potomac nor any related person receives any portion of these commissions.

Please Note: Potomac offers its investment strategies through the investment platforms sponsored and/or offered by SEC registered and FINRA member broker-dealers. In addition to the referral fee described immediately above that is paid by Potomac to such broker-dealer solicitors, Potomac may also pay a broker-dealer a platform fee based upon the aggregate amount of assets referred to Potomac by all representatives of a specific broker-dealer. In addition, Potomac may also reimburse a representative of a solicitor for expenses incurred by such representative when marketing Potomac's investment advisory services.

**Schedule G
FORM ADV
Balance Sheet**

Applicant: Potomac Fund Management	SEC File Number: 801- 31311	Date: 12/31/2009
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(Answers for Form ADV Part II Item 14.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Potomac Fund Management	IRS Empl. Ident. No.: 52-1542454
Instructions	
1. The balance sheet must be: <ul style="list-style-type: none">A. Prepared in accordance with generally accepted accounting principlesB. Audited by an independent public accountantC. Accompanied by a note stating the principles used to prepare it, the basis of included securities, and any other explanations required for clarity.	
2. Securities included at cost should show their market or fair value parenthetically.	
3. Qualification and any accompanying independent accountant's report must conform to Article 2 of Regulation S-X (17 CFR 210.2-01 et. seq.).	
4. Sole proprietor investment advisers: <ul style="list-style-type: none">A. Must show investment advisory business assets and liabilities separate from other business and personal assets and liabilities.B. May aggregate other business and personal assets and liabilities unless there is an asset deficiency in the total financial position.	