

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

Applicant:

Merit Advisors, Inc.

SEC File Number:

801- 62024

Date:

2/27/2008

(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:

Merit Advisors, Inc.

IRS Empl. Ident. No.:

73-1332049

Item of Form

Answer

Item 1. A. (8)1 -

Applicant provides market timing services for clients who invest in high yield and equity mutual funds. Client assets are held at broker-dealers and life insurance companies selected by the client, often with the recommendation of Merit Advisors. Merit may recommend that the client open an account with a particular brokerage firm for the purpose of investing in selected mutual funds. The client grants Merit limited trading authority on the account so that Merit can make exchanges between designated mutual funds in the client's account. Merit customarily requires a minimum initial investment of \$25,000 per account, unless the account is related to another account that meets the \$25,000 minimum. If a client invests in a mutual fund, the client indirectly pays management fees to the fund manager, in addition to any fees paid to Merit for managing the account.

Before Merit accepts an account for management, an interview, in person or by telephone, is conducted with the prospect. During the interview, the Merit representative covers the following points with the prospect: (1) Timing a non-qualified account with a bond fund or equity fund requires periodic exchanges between designated securities, with nearly every exchange generating a short-term gain or loss. (2) Frequent exchanges may generate more transaction costs, depending on the trading platform being use. (3) Merit makes every effort to use those platforms (Broker/Dealers) where transaction costs are minimal or nonexistent. (4) A description of the timing model is given to the client, short of divulging the specific rules of how the model is operated.

Because Merit does not provide comprehensive financial planning, no attempt is made to provide the client with either a retirement income plan or an income needs analysis.

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Merit's annual management fee rate varies according to the size of the account and whether the selected funds are high yield or equity. The annual fee rates are as follows:

For high yield fund accounts, per account or group of related accounts:

On the first \$250,000 - 1.60%

On the next \$749,999 - 1.20%

On amounts of \$1 Million or more - Negotiable.

For equity fund accounts managed with Merit's seasonal timing service:

On the first \$250,000 - 1.80%

On the next \$749,999 - 1.20%

On amounts of \$1 Million or more - Negotiable.

For equity trading accounts, using Rydex and ProFund equity funds:

On the first \$250,000 - 2.00%

On the next \$749,999 - 1.60%

On amounts of \$1 Million or more - Negotiable.

Management fees are billed to the client once a quarter, in advance, and are payable directly to Merit. Initial fees on new accounts are payable at the time the account is placed under one of Merit's management services. The amount of the initial fee covers the time remaining in the current quarter, plus the next full quarter. The amount of the fee is based on the market value of the new account at the time Merit begins its service and the applicable fee rate. Subsequent quarterly fees are calculated by multiplying the end-of-quarter account value by the applicable fee rate.

Both the client and Merit have the right to terminate Merit's service at any time after giving the other party a 30-day notice. However, whenever a client initiates a termination notice, it is Merit's practice to waive the 30-day notice requirement and terminate its service immediately. In addition, the client has 5 working days after signing Merit's agreement in which to cancel and receive a full refund of all fees paid to Merit. The client has the option of paying Merit's management fee by check or by authorizing Merit to deduct it from the client's account. Whenever the fee is deducted from the client's account, the client is notified promptly by the account custodian of such action. If Merit's

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service is terminated during the quarter, Merit refunds the unused portion of any prepaid management fee.

Item 4. B. (8)

For some of its equity accounts, the Applicant relies on third parties for buy and sell signals.

Item 5.

Merit requires an applicant for a management position to have a college degree, hold all required registrations and securities licenses, and within a reasonable period of time, demonstrate satisfactory competence in the position held at Merit.

Item 6.

J. Paul Cunningham - YOB - 1928

Education: Univ. of Oklahoma - BS in Educ - 1951

Univ. of Oklahoma - M Ed - 1954

Univ. of Central Oklahoma - MBA in Finance - 1976

Industry Experience: 1959 - 1988 - RR and Branch Manager at several NYSE Firms

1988 - Present - President of Merit Advisors, Inc.

Donald L. Dillingham, YOB - 1962

Education: Univ. of Oklahoma - MBA in Accounting - 1988

Industry Experience: August 2001 - Present - President of Avondale Investments, LLC, Registered
Investment Advisor

July 2003 - Present - Vice-President of Merit Advisors, Inc.

Feb. 2002 - Present - Reg. Rep. with Capital West Securities, Inc., Member
NASD and SIPC

Item 8. C. (1)

Donald Dillingham, a vice-president of Merit Advisors, is a registered representative of Capital West Securities, Inc., member NASD and SIPC.

Item 8. C. (3)

Donald Dillingham is a Vice-President of Merit Advisors, Inc. and President of Avondale Investments, LLC, a registered investment advisor.

Item 8. C. (9)

Paul Cunningham, President of Merit Advisors, from time to time assists Merit clients in completing applications for variable annuities offered by life insurance companies. Cunningham receives no compensation from the life company or the client for these services.

Item 9. Code of Ethics

Merit Advisors, as part of its written policies and procedures manual, has adopted a Code of Ethics, a copy of which is available for review. It clearly defines prohibited actions and the fiduciary duties that Merit owes its clients.

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Item 9. E.

Merit manages several groups of accounts held at Rydex Funds. In one or more of these groups there is an account in which Paul Cunningham, President of Merit Advisors, has a beneficial interest. These accounts trade the same Rydex mutual funds at the same time as those traded by client accounts. The reason for having Cunningham's accounts in the same groups with client accounts is to assure there will be an uninterrupted trading history for use in auditing performance.

Item 10.

Merit requires a new account to have an initial minimum investment of \$25,000, but may waive this requirement in certain situations.

Item 11. A.

The President of Merit Advisors reviews each retail account at the time it is established, at the end of each quarter and at the end of the year. The initial review is designed to help determine that the recommended investments are suitable for the client in light of the client's stated investment objectives. The quarterly review has three purposes: to report to the client the change in account value for the quarter, to determine the quarterly management fee due Merit and to ascertain that activity in the account is consistent with the client's investment objectives. The annual review is designed to inform clients of how their investments have performed over the past 12 months. It is also used to update the client's files relative to any changes in the financial circumstances or investment goals of the client.

Item 12. A. (1)

Merit is limited to using those mutual funds specified in the Asset Management Agreement and amendments thereto. For client accounts that trade baskets of securities, such as "high yield funds," the client gives Merit the discretion of substituting one security for another, so long as the securities are of the same type. Merit may recommend a particular broker-dealer to the client, but the final decision rests with the client. Merit, for each of its services, recommends to the client a particular B/D it feels can do the best job of executing trades and at the lowest possible transaction cost. Merit does not guarantee that such transaction costs are the lowest possible, but believes they are among the lowest possible. The client's best interest is Merit's best interest, since Merit does not share in any transaction costs paid by the client. Merit does not bill its clients for research. Merit's only compensation is the management fee specified in its Asset Management Agreement.

Item 12. A. (2)

Merit is limited to the specific securities, or types of securities, listed on the Asset Management Agreement. Merit's criteria for the recommendation of a broker-dealer are: (a) efficient execution of orders, (b) competitive commission rates, and (c) the financial strength and reputation of the broker-dealer.

Item 12. B.

Merit regularly recommends broker-dealers and life insurance companies to its clients who can offer several high yield funds that (a) allow frequent exchanges, (b) whose transaction costs are competitive, and (c) will grant Merit trading authority on the account. The final choice of custodian rests with the client.

Item 13. B.

Merit compensates other investment advisors for referring clients to Merit. Such solicitors are paid 50% of the fees Merit collects from the solicitor's clients. About 50% of Merit's current retail business comes from accounts referred by other investment advisors.