

FORM ADV**Uniform Application for Investment Adviser Registration****Part II - Page 1****OMB APPROVAL**

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Name of Investment Adviser:

Prophecy Asset Management, Inc.

Address: (Number and Street)

(City)

(State)

(Zip Code)

Area Code: Telephone Number:

237 Park Avenue, 9th Floor**New York****NY****10017****(212) 692-6390**

**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 governmental authority.**

Table of Contents

<u>Item Number</u>	<u>Item</u>	<u>Page</u>
1	Advisory Services and Fees	2
2	Types of Clients	2
3	Types of Investments	3
4	Methods of Analysis, Sources of Information and Investment Strategies	3
5	Education and Business Standards	4
6	Education and Business Background	4
7	Other Business Activities	4
8	Other Financial Industry Activities or Affiliations	4
9	Participation or Interest in Client Transactions	5
10	Conditions for Managing Accounts	5
11	Review of Accounts	5
12	Investment or Brokerage Discretion	6
13	Additional Compensation	6
14	Balance Sheet	6
	Continuation Sheet	Schedule F
	Balance Sheet, if required.	Schedule G

(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.**

FORM ADV**Part II - Page 2**

Applicant:

Prophecy Asset Management, Inc.

SEC File Number:

801-64225

Date:

March 11, 2008**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 | 100% |
| <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 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 checked="" type="checkbox"/> (3) Fixed fees (not including subscription fees) | <input checked="" 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 type="checkbox"/> E. Trusts, estates, or charitable organizations |
| <input type="checkbox"/> B. Banks or thrift institutions | <input type="checkbox"/> F. Corporations or business entities other than those listed above |
| <input type="checkbox"/> C. Investment companies | <input checked="" type="checkbox"/> G. Other (describe on Schedule F) |
| <input type="checkbox"/> D. Pension and profit sharing plans | |

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

FORM ADV**Part II - Page 3**

Applicant:

Prophecy Asset Management, Inc.

SEC File Number:

801- **64225**

Date:

March 11, 2008**3. Types of Investments.** Applicant offers advice on the following: (check those that apply)

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

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

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

- | | |
|---|--|
| (1) <input type="checkbox"/> Charting | (4) <input type="checkbox"/> Cyclical |
| (2) <input checked="" type="checkbox"/> Fundamental | (5) <input type="checkbox"/> Other (explain on Schedule F) |
| (3) <input 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 checked="" type="checkbox"/> Company press releases |
| (4) <input checked="" type="checkbox"/> Corporate rating services | (8) <input 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 checked="" type="checkbox"/> Margin transactions |
| (2) <input checked="" type="checkbox"/> Short term purchases
(securities sold within a year) | (6) <input checked="" 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 type="checkbox"/> Other (explain on Schedule F) |
| (4) <input checked="" type="checkbox"/> Short sales | |

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

FORM ADV**Part II - Page 4**

Applicant:

Prophecy Asset Management, Inc.

SEC File Number:

801-64225

Date:

March 11, 2008**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.)

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

FORM ADV
Part II - Page 5

Applicant:

Prophecy Asset Management, Inc.

SEC File Number:

801- **64225**

Date:

March 11, 2008
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 *and* impose a minimum dollar value of assets or other conditions for starting or maintaining an account?

Yes No
☒ ☐

(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.

All accounts managed by Prophecy Asset Management, Inc. ("Prophecy") are reviewed, at least, on a monthly basis by Mr. Jeffrey R. Spotts, Chief Compliance Officer of Prophecy, to assure conformity with client objectives and guidelines. In addition, all accounts are reviewed in light of emerging trends and developments as well as market volatility.

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

Each client invested in the relevant account will receive the following: (i) annual financial statements of the relevant account audited by an independent certified public accounting firm, (ii) a periodic letter from an affiliate of Prophecy discussing the results of the relevant account, (iii) copies of such investor's Schedule K-1 to the relevant account's tax returns, and (iv) other reports as determined by Prophecy in its sole discretion. The relevant account shall bear all fees incurred in providing such tax returns and reports.

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

Applicant:

Prophecy Asset Management, Inc.

SEC File Number:

801-64225

Date:

March 11, 2008

12. Investment or Brokerage Discretion.

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

(1) securities to be bought or sold?

Yes No

☒ ☐

(2) amount of the securities to be bought or sold ?

Yes No

☒ ☐

(3) broker or dealer to be used ?

Yes No

☒ ☐

(4) commission rates paid?

Yes No

☐ ☒

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 No

☒ ☐

B. directly or indirectly compensates any person for client referrals?

Yes No

☒ ☐

(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:	SEC File Number:	Date:
Prophecy Asset Management, Inc.	801- 64225	March 11, 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: Prophecy Asset Management, Inc.		IRS Empl. Ident. No.: 20-1735413
Item of Form (identify)	Answer	
Item 1A, 2 & 8D	<p><u>SERVICES PROVIDED:</u></p> <p>Prophecy Asset Management, Inc., a Delaware corporation, ("Prophecy") provides investment advisory services to Prophecy Capital Management International Ltd., a British Virgin Islands company ("Offshore Feeder"), Prophecy Capital Management, LP, a Delaware limited partnership ("Domestic Feeder"), the Domestic Feeder and the Offshore Feeder substantially invest all their assets in the master fund, Prophecy Capital Management Master Fund, Ltd., a British Virgin Islands company and Prophecy Ascension, LP, a Delaware limited partnership, (each a "Fund" and collectively, the "Funds"), and to clients, including individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other private investment vehicles (together with the Funds, the "Clients"), on a discretionary or non-discretionary basis. The advisory services include, among other things, providing advice regarding asset allocation and the selection of investments and performance monitoring.</p>	
Item 1D	<p><u>COMPENSATION PAYABLE:</u></p> <p>Prophecy charges each Fund a management fee ("Management Fee") equal to 0.375% per quarter (approximately 1.5% annually) of such Fund's net asset value. The Management Fee shall be payable quarterly in advance and calculated as of the first day of each quarter. A <i>pro rata</i> Management Fee will be charged to investors on any amounts accepted by Prophecy as investments in the midst of any quarter. No part of the Management Fee will be refunded in the event that an investor withdraws all or any of the value in the investor's capital account during a quarter. Prophecy, in its sole discretion, may waive or reduce the Management Fee with respect to one or more investors for any period of time, or agree to apply a different Management Fee for that investor (all such arrangements in the form of a rebate or otherwise).</p> <p>An affiliate of Prophecy shall receive an annual performance allocation or fee ("Performance Fee") with respect to each Fund at the close of each fiscal year equal to 20% of the portion of the Funds' annual net income (including realized and unrealized gains and losses and net of the Management Fee) attributable to each investor. The Performance Fee shall be subject to a high water mark or loss carryforward provision</p> <p>An affiliate of Prophecy shall also be eligible to receive the Performance Fee upon any withdrawal by an investor, whether voluntary or involuntary, and upon dissolution of the Funds. The Performance Fee shall be in addition to the proportionate allocations of income and profits, or losses, to Prophecy and/or its affiliates based upon their capital accounts relative to the capital accounts of all investors. An affiliate of Prophecy, in its sole discretion, may waive or reduce the Performance Fee with respect to any investor for any period of time, or agree to modify the Performance Fee for that investor. An affiliate of Prophecy may, in its discretion, reallocate a portion of the Performance Fee to certain investors.</p>	

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Complete amended pages in full, circle amended items and file with execution page (page 1).

**Schedule F of
Form ADV**

Continuation Sheet for Form ADV Part II

Applicant:	SEC File Number:	Date:
Prophecy Asset Management, Inc.	801- 64225	March 11, 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: Prophecy Asset Management, Inc.		IRS Empl. Ident. No.: 20-1735413
Item of Form (identify)	Answer	
Item 3L	<p>The Performance Fee is subject to what is commonly known as a “high water mark” procedure. That is, if an investor’s capital account has a net loss in any fiscal year, this loss will be recorded and carried forward as to such investor to future fiscal years (such amount is referred to as the “Loss Carryforward”). An affiliate of Prophecy will not receive the Performance Fee from such investor in any future fiscal year until the Loss Carryforward amount for such investor has been recovered (i.e., when the Loss Carryforward amount has been exceeded by the cumulative profits allocable to such investor for the fiscal years following the Loss Carryforward). Once the Loss Carryforward has been recovered, the Performance Fee shall be based on the excess profits (over the Loss Carryforward amount) as to each investor, rather than on all profits. The “high water mark” procedure prevents an affiliate of Prophecy from receiving the Performance Fee as to profits that simply restore previous losses and is intended to ensure that the Performance Fee is based on the long-term performance of an investment in the Funds.</p> <p>When an investor withdraws capital, any Loss Carryforward will be adjusted downward in proportion to the withdrawal. An affiliate of Prophecy may agree with any investor to apply a different Loss Carryforward provision for such investor.</p> <p>Prophecy charges Clients management fees based on a percentage of market value of the assets under management, as well as incentive fees. Based on negotiated terms, the management fee may range up to approximately 1% and is payable on a monthly or quarterly basis. The incentive fee may range up to approximately 20% and is based on the increase in net asset value of the applicable Client account. The incentive fee may be subject to a high water mark or loss carryforward provision.</p> <p>Prophecy will invest and trade in a wide variety of securities and financial instruments, domestic and foreign, of all kinds and descriptions, whether publicly traded or privately placed, including, but not limited to, common and preferred stocks, bonds and other debt securities, convertible securities, limited partnership interests, mutual fund shares, options, warrants, commodities, futures, derivatives (including swaps, forward contracts and structured instruments), currencies, monetary instruments and cash and cash equivalents.</p> <p><u>Options.</u> Prophecy may utilize derivative securities, primarily options. Prophecy may purchase and write put and call options that are traded on national securities exchanges or over-the-counter markets, as well as on electronic communications networks (ECN’s). Options can be used in many ways such as to increase market exposure (i.e., for purposes of leverage), to reduce overall market exposure (i.e., for hedging purposes), to increase the portfolio’s current income, or to reduce the cost basis of a new position. The Funds may also utilize certain options, such as various types of index or “market basket” options, in an effort to hedge against certain market-related risks, as Prophecy deems appropriate. Prophecy believes that the use of options and other derivatives should help reduce risk and enhance investment performance.</p>	

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Complete amended pages in full, circle amended items and file with execution page (page 1).

**Schedule F of
Form ADV**

Continuation Sheet for Form ADV Part II

Applicant:	SEC File Number:	Date:
Prophecy Asset Management, Inc.	801- 64225	March 11, 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: Prophecy Asset Management, Inc.		IRS Empl. Ident. No.: 20-1735413
Item of Form (identify)	Answer	
Item 5	<p><u>EDUCATION AND BUSINESS STANDARDS:</u></p> <p>Investment professionals associated with Prophecy will be required to have at least a bachelor's degree and a solid understanding of investments and obtain any state licenses that are required.</p>	
Item 6	<p><u>EDUCATION AND BUSINESS BACKGROUND:</u></p> <p><i>Jeffrey R. Spotts – Portfolio Advisor</i> <i>Birth Date – October 26, 1966</i></p> <p>Mr. Jeffrey Spotts has over 11 years of experience providing portfolio management to corporations, institutions, mutual funds, money managers, hedge funds, universities and high-net-worth clients. His areas of expertise include technical analysis, specifically, the coupling of money management with trend identification. Mr. Spotts began his career in 1989 at Merrill Lynch Private Advisory, where he served as Portfolio Manager. His service team was responsible for \$500 million of client assets under management. Mr. Spotts is the author of the LSTPIA Investment Strategy and developer of the proprietary technical screening tools used for its implementation. This strategy utilizes a combination of fundamental, quantitative and technical data. Mr. Spotts served as the Equity Research Coordinator for the Merrill Lynch Fifth Avenue Financial Center since 1992. He holds a Bachelor of Science degree from the Pennsylvania State University in Business Administration. In addition, Mr. Spotts holds the Chartered Market Technician designation from the U.S.-based Market Technicians Association, where he is a member as well as also being a member of the International Federation of Technical Analysts.</p>	
Item 9D	<p>On occasion, Prophecy may engage in re-balancing the portfolios of the funds it advises through cross trades, transactions where, for example, securities are sold to one advisory client and purchased by another advisory client. The benefits of a cross trade between advisory clients are the elimination of brokerage costs. Also, clients may save on market impact costs or adverse movements in the stock due to the trade if it is a large block trade. Custody costs and transfer taxes may also be saved.</p> <p>Rebalancing, through cross trades, of a fund is usually necessary as a result of cash inflows or outflows but can be necessitated by other factors. In effecting such cross trades, Prophecy seeks to reduce the transaction costs to its clients of such account adjustments. All such cross trades will be consistent with the investment objectives and policies of each investment account involved in the trades, and will be effected at the closing market price for the security for the day upon which the cross trade is executed. Investment accounts involved in such cross trades will not pay any brokerage commissions or mark ups in connection with the trades, but may pay customary transfer fees (i.e., aggregate ticket charges) that are assessed through any unaffiliated broker dealers through which the trades are effected.</p>	

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Complete amended pages in full, circle amended items and file with execution page (page 1).

**Schedule F of
Form ADV**

Continuation Sheet for Form ADV Part II

Applicant:	SEC File Number:	Date:
Prophecy Asset Management, Inc.	801- 64225	March 11, 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: Prophecy Asset Management, Inc.		IRS Empl. Ident. No.: 20-1735413
Item of Form (identify)	Answer	
Item 9E	<p>Prophecy does not receive any compensation, other then its advisory fees as a result of engaging in a cross trade. Prophecy does not sell securities to clients nor does it purchase securities from clients. However, affiliated persons of Prophecy, and its principals, have capital accounts in the Funds.</p> <p><u>CODE OF ETHICS:</u></p> <p>The code of ethics of Prophecy (“Code of Ethics”) is based upon the premise that all Prophecy personnel have a fiduciary responsibility to render professional, continuous, and unbiased investment advisory service. The Code of Ethics requires all personnel to (1) comply with all applicable laws and regulations; (2) observe all fiduciary duties and put the clients’ interests ahead of those of Prophecy; (3) observe Prophecy’s personal trading policies so as to avoid “front-running” and other conflicts of interests between Prophecy and its clients; (4) ensure that all personnel have read the Code of Ethics, agreed to adhere to the Code of Ethics, and are aware that a record of all violations of the Code of Ethics will be maintained by the Chief Compliance Officer and that personnel who violate the Code of Ethics are subject to sanctions by Prophecy, including termination.</p> <p>A copy of the Code of Ethics is available upon request to investors in any pooled investment vehicle.</p> <p>Prophecy’s Access Persons may engage in securities trading for their own benefit, however, all securities transactions by Prophecy’s Access Persons require written approval by the Chief Compliance Officer in advance of the transaction (“pre-approval”). It is the policy of Prophecy to give preference to orders of advisory clients over similar orders for personnel associated with the firm regarding. Prophecy and its employees (collectively “Prophecy”) may personally invest in the same securities that are purchased for the Funds and may own securities that are subsequently purchased for the Funds. Prophecy may also buy or sell a specific security for their own account based on personal investment considerations, which Prophecy does not deem appropriate to buy or sell for the Funds.</p>	
Item 10	The minimum investment amount is \$1,000,000, although Prophecy has discretion to accept lesser amounts.	
Item 12A(1)(2)(3)(4)	There are no limitations as to the type or amount of securities to be bought or sold on behalf of the Clients. Securities transactions for the Clients are executed through brokers selected by Prophecy. Prophecy is responsible for the negotiation of any commissions paid.	
Item 12B	<p><u>BROKERAGE ARRANGEMENTS:</u></p> <p>Prophecy is responsible for the placement of the portfolio transaction of the Funds and the negotiation of any commissions paid on such transactions. Portfolio securities normally are purchased through brokers on securities exchanges or directly</p>	

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Complete amended pages in full, circle amended items and file with execution page (page 1).

**Schedule F of
Form ADV**

Continuation Sheet for Form ADV Part II

Applicant:	SEC File Number:	Date:
Prophecy Asset Management, Inc.	801- 64225	March 11, 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: Prophecy Asset Management, Inc.	IRS Empl. Ident. No.: 20-1735413
Item of Form (identify)	Answer
	<p>from the issuer or from an underwriter or market maker for the securities. Purchases of portfolio instruments through brokers involve a commission to the broker. Purchases of portfolio securities from dealers serving as market makers include the spread between the bid and the asked price. Prophecy will not commit to provide any level of brokerage business to any broker. Prophecy may utilize the services of one or more introducing brokers who will execute the brokerage transactions through the broker and custodian who will clear the transactions.</p> <p>Securities transactions for the Funds are executed through brokers selected by Prophecy in its sole discretion and without the consent of the Funds. In placing portfolio transactions, Prophecy will seek to obtain the best execution for the Funds, taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; Prophecy's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying Prophecy's other selection criteria.</p> <p><u>SOFT DOLLARS:</u></p> <p>The term "soft dollars" refers to the receipt by an investment manager of products and services provided by brokers, without any cash payment by the investment manager, based on the volume of brokerage commission revenues generated from securities transactions executed through those brokers on behalf of the investment manager's clients.</p> <p>Prophecy is authorized to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms that provide it with such investment and research information or to pay higher commissions to such firms if Prophecy determines such prices or commissions are reasonable in relation to the overall services provided. Research services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management, corporate executives or industry consultants. Prophecy is not required to weigh any of these factors equally. Information so received is in addition to and not in lieu of services required to be performed by Prophecy and its affiliates, and the Management Fee and Performance Fee are not reduced as a consequence of the receipt of such supplemental research information. Research services provided by broker-dealers used by the Funds may be utilized by Prophecy and its affiliates in connection with their investment services for other clients and, likewise, research services provided by broker-dealers used for transactions of other clients may be utilized by Prophecy and its affiliates in performing their services for the Funds. Since commission rates in the United States</p>

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**Schedule F of
Form ADV**

Continuation Sheet for Form ADV Part II

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Prophecy Asset Management, Inc.	801- 64225	March 11, 2008

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	<p>are negotiable, Prophecy's selection of brokers on the basis of considerations which are not limited to applicable commission rates may at times result in the Funds being charged higher transaction costs than it could otherwise obtain. Nonetheless, Prophecy's decision on which brokers to utilize will be driven by a concerted striving for "best execution."</p> <p>In addition to research services, Prophecy and its respective affiliates may be offered other non-monetary soft dollar benefits by broker-dealers that it may engage to execute securities transactions on behalf of the Funds. These benefits may take the form of special execution capabilities, clearance, settlement, online pricing, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call, online access to computerized data regarding clients' accounts, performance measurement data, consultations, economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, general reports, efficiency of execution and error resolution, quotation services, the availability of stocks to borrow for short trades, referral of prospective investors in the Funds, custody, travel, record keeping and similar services. These other services may also include payment of all or a portion of the Fund's or Prophecy's and its affiliates administrative costs and expenses of operation, such as newswire and quotation equipment and services (e.g., Reuters, Bloomberg, Bridge, First Call, etc.); data processing charges; purchase of books; periodical subscription fees (e.g., The Financial Times, The Wall Street Journal, The New York Times, Investors Business Daily, American Banker, Barron's, etc.); trade order management systems, portfolio management systems; risk management systems; computer, telecom, office, and multimedia equipment (e.g., computer hardware, software, PDAs, LANs, etc.) and related technical support, repair, wiring and related infrastructure, replacement parts, installation and relocation charges, home offices, backup and disaster recovery, maintenance and maintenance contracts, and all related charges; telephone, data, and facsimile lines and charges and related equipment, installation, repair and maintenance costs (e.g., telephones, telephone lease, telephone and facsimile lines, cellular phones used for business purposes, telephone call recording equipment, headsets, cordless phones, speaker phones, telephone switchboards and monthly and long distance telephone charges); television and cable services; printing services and equipment; messenger services; postal and courier expenses (including Federal Express, UPS, Airborne Express, etc.); car service; account record-keeping and related clerical services; registration expenses and fees; exchange fees; payment of commissions to parties engaged by the Funds in the course of its business; expenses incurred in connection with investigating and researching issuers of securities and attending research conferences (e.g., airfare, car rentals, taxi fares, conference fees and related expenses, hotel accommodations and meals); payment for the entertainment of clients and business associates including, but not limited to, corporate outings and marketing events (expenses may include costs for event attendance, meals and event planning); economic consulting services; placement fees and other marketing costs, including marketing materials (e.g., printed materials,</p>

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	<p>business cards and stationary); public relations expenses; payment to marketers and payment for membership in organizations joined to market the Funds; third party bill paying services and credit cards (including costs associated with obtaining and using such services, such as transaction and interest costs) that are exclusively used to pay for “soft dollar” eligible expenses; costs and expenses associated with services provided by advisors, agents and consultants and temporary workers engaged by an affiliate of Prophecy on behalf of the Funds; legal and accounting fees; office rent and related usage costs (including real estate brokers, the payment of office security deposits (deposits that are returned at the completion of a lease term would be forwarded to an affiliate of Prophecy to be used by an affiliate of Prophecy for the exclusive payment of soft dollar eligible expenses); relocation and moving expenses; office improvements and renovation; office furniture; office equipment (including rental and repair costs) and supplies; office cleaning; office security equipment and services; office meals; utilities (e.g., electricity, gas, oil, water, etc.); taxes; storage; payment or reimbursement for educational costs (e.g., classes, conferences, seminars, individual instruction) for all full-time principals, employees or consultants of the Funds involving areas of study that may benefit the Funds; payment or reimbursement for costs incurred in obtaining investment industry certifications, licenses and accreditations that may benefit the Funds; employee salaries (trading and operations) and benefits (including medical, dental, vision and worker’s compensation insurance); employer payroll taxes and related expenses; payroll services; employee recruiting services; costs associated with performing background checks on employees; rebates to the fund; and other reasonable expenses as determined by Prophecy.</p> <p>Prophecy and its affiliates have the option to use “soft dollars” generated by the Funds to pay for the research and non-research related services described above. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment). Section 28(e) of the Securities Exchange Act of 1934, as amended (“Exchange Act”), provides a “safe harbor” to investment managers who use soft dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the investment manager in the performance of investment decision-making responsibilities. In the event Prophecy elects to use its soft dollars for payment of all or a portion of Prophecy’s or its affiliates’ administrative costs and expenses of operation, as more fully described above, such uses of soft dollars are not within the safe harbor afforded by Section 28(e) of the Exchange Act.</p> <p>The use of brokerage commissions to obtain investment research services and to pay for the administrative costs and expenses of Prophecy and its affiliates create a conflict of interest between Prophecy, its affiliates and the Funds, because the Funds pay for such products and services that are not exclusively for the benefit of the Funds and that may be primarily or exclusively for the benefit of Prophecy or its affiliates. To the extent that Prophecy or its affiliates are able to acquire these</p>	

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	<p>products and services without expending its own resources (including management fees paid by the Funds), Prophecy's or its affiliates' use of soft-dollars would tend to increase Prophecy's or its affiliates' profitability. In addition, the availability of these non-monetary benefits may influence Prophecy or its affiliates to select one broker rather than another to perform services for the Funds. Prophecy and its affiliates will not endeavor to allocate, as between the Funds and any other managed entities or accounts, particular items of expenses paid relative to the vehicle or account generating the particular commission revenues utilized for payment, except in limited circumstances when deemed appropriate.</p> <p><u>ALLOCATION OF TRADES:</u></p> <p>Prophecy may at times determine that certain securities will be suitable for acquisition by the Funds and by other accounts managed by Prophecy, possibly including Prophecy's own accounts or accounts of an affiliate. If that occurs, and Prophecy is not able to acquire the desired aggregate amount of such securities on terms and conditions which Prophecy deems advisable, Prophecy will endeavor to allocate in good faith the limited amount of such securities acquired among the various accounts for which Prophecy considers them to be suitable. Prophecy may make such allocations among the accounts in any manner which it considers to be fair under the circumstances, including, but not limited to, allocations based on relative account sizes, the degree of risk involved in the securities acquired, and the extent to which a position in such securities is consistent with the investment policies and strategies of the various accounts involved.</p> <p><u>AGGREGATION OF ORDERS:</u></p> <p>Prophecy may aggregate purchase and sale orders of securities held by the Funds with similar orders being made simultaneously for other accounts or entities if, in Prophecy's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to the Funds based on an evaluation that the Funds will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of securities for the Funds will be affected simultaneously with the purchase or sale of like securities for other accounts or entities. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, the average price of all securities purchased or sold in such transactions may be determined, at Prophecy's sole discretion, and the Funds may be charged or credited, as the case may be, with the average transaction price.</p> <p><u>REFERRAL OF INVESTORS:</u></p> <p>Prophecy may also direct some brokerage business to brokers who refer prospective investors to the Funds. Because such referrals, if any, are likely to benefit Prophecy and its affiliates but will provide an insignificant (if any) benefit to investors,</p>	
Item 13B		

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Additional Items	<p>Prophecy will have a conflict of interest with the Funds when allocating brokerage business to a broker who has referred investors to the Funds. To prevent brokerage commissions from being used to pay investor referral fees, Prophecy will not allocate brokerage business to a referring broker unless Prophecy determines in good faith that the commissions payable to such broker are reasonable in relation to those available from non-referring brokers offering services of substantially equal value to the Funds.</p> <p>An affiliate of Prophecy may sell interests through broker-dealers, placement agents and other persons and pay a marketing fee or commission in connection with such activities, including ongoing payments, at an affiliate of Prophecy's own expense (except in circumstances involving directed brokerage). In certain cases, an affiliate of Prophecy reserves the right to deduct a percentage of the amount invested by a investor in the Funds to pay sales fees or charges, on a fully disclosed basis, to a broker-dealer or placement agent based upon the capital contribution of the investor introduced to the Funds by such broker-dealer or agent. Any such sales fees or charges would be assessed against the referred investor and would reduce the amount actually invested by the investor in the Funds.</p> <p><u>PRIVACY POLICY:</u></p> <p>Prophecy has adopted a privacy policy that explains the manner in which the Funds, Prophecy and its affiliates (collectively, the "Fund Entities") collect, utilize and maintain nonpublic personal information about the Fund's investors, as required under recently enacted Federal legislation. This privacy policy only applies to nonpublic information of investors who are individuals (not entities).</p> <p>Collection of Investor Information</p> <p>The Fund Entities collect personal information about its investors mainly through the following sources:</p> <ul style="list-style-type: none">• Subscription forms, investor questionnaires and other information provided by the investor in writing, in person, by telephone, electronically or by any other means. This information includes name, address, nationality, tax identification number, and financial and investment qualifications; and• Transactions within the Fund Entities, including account balances, investments and withdrawals. <p>Disclosure of Nonpublic Personal Information</p> <p>The Fund Entities do not sell or rent investor information. The Fund Entities do not disclose nonpublic personal information about its investors to nonaffiliated third parties or to affiliated entities, except as permitted by law. For example, the Fund Entities may share nonpublic personal information in the following situations:</p>

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Form ADV**

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	<ul style="list-style-type: none">• To service providers in connection with the administration and servicing of the Fund Entities, which may include attorneys, accountants, auditors and other professionals. The Fund Entities may also share information in connection with the servicing or processing of Fund Entities transactions;• To affiliated companies in order to provide you with ongoing personal advice and assistance with respect to the products and services you have purchased through the Fund Entities and to introduce you to other products and services that may be of value to you;• To respond to a subpoena or court order, judicial process or regulatory authorities;• To protect against fraud, unauthorized transactions (such as money laundering), claims or other liabilities; and• Upon consent of an investor to release such information, including authorization to disclose such information to persons acting in a fiduciary or representative capacity on behalf of the investor. <p>Protection of Investor Information</p> <p>The Fund Entities' policy is to require that all employees, financial professionals and companies providing services on its behalf keep client information confidential.</p> <p>The Fund Entities maintain safeguards that comply with federal standards to protect investor information. The Fund Entities restrict access to the personal and account information of investors to those employees who need to know that information in the course of their job responsibilities. Third parties with whom the Fund Entities share investor information must agree to follow appropriate standards of security and confidentiality.</p> <p>The Fund Entities' privacy policy applies to both current and former investors. The Fund Entities may disclose nonpublic personal information about a former investor to the same extent as for a current investor.</p> <p>Changes to Privacy Policy</p> <p>Any Fund Entity may make changes to its privacy policy in the future. The Fund Entities will not make any change affecting you without first sending you a revised privacy policy describing the change.</p> <p><u>PROXY VOTING:</u></p> <p>Prophecy uses reasonable judgment to vote proxies in a manner it determines is in</p>

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	the best interest of its clients. Prophecy monitors corporate actions of those securities it has purchased on behalf of its clients. Receipt of proxy materials is logged into a proxy control sheet. A record of the proxy votes cast will be made and retained by Prophecy. Clients can obtain information on how the proxies were voted and a detailed description of Prophecy's policies and procedures regarding proxy voting by requesting such information from the Chief Compliance Officer, Jeffrey R. Spotts.	

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