



**POTOMAC**  
FUND MANAGEMENT

**Form ADV Part 2A**

**Item 1 Cover Page**

Potomac Fund Management

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**This brochure provides information about the qualifications and business practices of Potomac Fund Management. If you have any questions about the contents of this brochure, please contact us at [info@potomacfund.com](mailto:info@potomacfund.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any states securities authority.**

**Additional information about Potomac Fund Management also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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### **Item 2: Material Changes**

#### **Annual Update:**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

#### **Material changes since the last update:**

Since the annual amendment filing we have added Financial Coaching services, detailed further in Items 4 and 5 of this Brochure. There are no other material changes.

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### Potomac Fund Management (SEC No. 801-31311)

#### Item 4 Advisory Business

Potomac Fund Management, Inc. (Potomac) was founded in 1987. The primary service offered by the Advisor, 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 and exchange traded funds. This service is offered on a discretionary basis. For discretionary accounts, Potomac will have the authority to supervise and direct the portfolio without prior consultation with the client. Potomac also offers financial consulting services to its direct or internal clients. As a Registered Investment Adviser, Potomac is a Fiduciary, meaning it is required by law to put client needs above its own. The principal owner of Potomac is Manish Khatta.

Neither Potomac, nor any of its representatives, serves as an attorney, accountant, or insurance agent, and no portion of Potomac's services should be construed as same.

We provide these services as follows:

- 1) through solicitors acting as independent contractors and not as employees of the applicant (whose accounts are referred to as external clients);
- 2) as a sub-advisor for various broker/dealers or registered investment advisory firms on their respective platforms; and
- 3) we also provide these services to direct clients (referred to as internal clients).

Potomac manages \$136,179,372 on a discretionary basis as of December 31, 2018. Potomac provides sub-advice through Investment Platforms, and those assets under advisement total \$3,789,407.

#### Investment Management Services

Potomac offers several investment strategies, with various degrees of risk. 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. The client decides on the investment strategy and can make reasonable restrictions. Fund selection for a strategy is based upon the strategy and its objectives, not upon the individual suitability of a client who has chosen to invest in the strategy.

The investment strategies are as follows:

##### 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 risk. Specialty investments- with greater

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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 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 or 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 exposures to equity markets with an emphasis on moderate 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 growth while participating in U.S. markets both on the long (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 growth focus and invests only a portion of their portfolio in this strategy.

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### 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 preservations. 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.

### High Yield Plus

#### OBJECTIVE:

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This strategy is designed to provide stable long-term total returns from current income and capital appreciation by participating primarily in high yield bond investments, with a goal of achieving an absolute return under all market conditions.

### DESCRIPTION:

High Yield Plus is a highly concentrated strategy that invests in one or more high yield bond funds when opportunities for growth appear to be strong. The decision to invest in the market is made by Potomac's Investment Committee, based on their evaluation of various technical market indicators. When their evaluation indicates strong potential for growth, the strategy will invest 100% of the portfolio in one or more high yield bond funds, although the managers have the flexibility to invest in smaller portions. When the evaluation indicates a higher risk environment or the potential for a significant downturn, the strategy will move the portfolio to a money market or low volatility fund to minimize exposure to catastrophic losses and seek to preserve portfolio values.

### PROSPECTIVE CLIENT:

This strategy is suitable for investors seeking conservative to moderate growth through investment in the bond market, with the potential for capital preservation.

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Most of our clients are referred to us by unaffiliated third-parties, but we also offer our services through Investment Platforms. Through these platform providers, we participate in a Unified Managed Account Program (UMA). In this case, the "sponsor" of the program, has contracts directly with their clients to perform various types of investment management services. The UMA combines the investment expertise of asset managers, ETFs, and mutual funds into a single portfolio services to their clients where Potomac delivers "model" portfolios to the Envestnet. As part of this UMA, the adviser typically obtains the necessary financial data from the client, assists the client in determining the suitability of the program, assists the client in setting an appropriate investment objective and assists the client in opening an account. Potomac generally applies the same investment philosophy and strategy for clients of UMA program as is done for our other clients, depending upon any restrictions, limitations, or specific directions that the sponsor or their clients give to us. It is the sponsor that has client authority to purchase and sell securities on a discretionary or non-discretionary basis pursuant to the investment objective chosen by the client. For specific details regarding the managers, Potomac recommends the clients review the individual companies ADV Part 2A brochure. The Sponsor of the UMA program generally charges their clients an aggregated or "all-inclusive" fee, and Potomac receives a portion of those fees.

### Financial Consulting Services

For our financial consulting clients, PFM will act as an interactive financial coach and will provide the client a dynamic and interactive financial plan including action steps that outlines the client's retirement, educational, and other savings goals. We will suggest the methods for the client to achieve those goals, based on the client's current financial situation and future plans for saving and investment.

### (Create – Implement – Adjust)

#### Financial statement preparation and analysis

- Cash flow analysis and budgeting
- Net worth statement

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- Debt / spending management

### Retirement & goal planning

- IRA and taxable accounts
- Education needs funding (529, cost of college/private school tuition, etc.)
- Social Security / Medicare / long term care

### Investment & insurance risk management

- Risk assessment
- Use of employee benefits (insurance options, contribution options, etc.)

### Employee benefits

- Contribution options for retirement accounts
- Employer insurance options

### Income tax planning & preparation

- Annual tax prep and filing (We will arrange for your standard tax return, which includes a Federal 1040 up to two schedules and one state income tax, to be completed through an unaffiliated third party. You will pay separately for any additional tax return needs directly to the tax preparation company)
- Purchase planning (buy vs lease, new vs used, build vs buy, own vs rent, etc.)
- Life changes (plan for children, job changes, death, caring for elderly parents, etc.)

### Estate planning

- “Cycle of Life” planning (wills, trusts, medical POA, assisted living decisions, etc.)
- Guardian / beneficiary

### Responsibilities:

#### You the Client, will:

- Complete a risk assessment.
- Define their desired retirement age(s).
- Provide all sources of income, including future pension details.
- Define their desired retirement spending (monthly spending).
- Provide current saving (and company match) information (401k, IRA, bank savings, etc.)
- Complete the ‘Profile’ section of the financial plan, including details of any debt accounts, investment accounts, bank accounts, and property information.
- Define how much money they would like to spend on future education expenses.
- Define costs and timing of ‘secondary’ goals or objectives (e.g. buy a boat at age 62).
- Be responsible for implementing any recommendations or changes made based on the Financial Plan and related discussions. They may choose to use PFM investment services for some or all the account management (any additional costs for those services discussed in separate agreement and ADV).

#### Potomac Fund Management, Inc., will:

- Provide the client with a login to help in gathering information for the client “Profile” to be used in the financial plan.
- Will ask client for further information on any items that need clarification based on information submitted and supporting documents provided by the client.



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- Provide the client with the likelihood that the client's goals will be achieved if no material changes are made to the client's current course of action.
- Provide some recommendations and possible changes to the current course of action to optimize your chances of financial plan success.
- Provide the client with steps/tasks to implement our recommendations.

Due to the dynamic nature of information included in a financial plan, for the most effective plan outcomes, PFM recommends the client "link" all bank, investment, retirement, and debt accounts in the financial planning software.

### 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, the client should direct all such communications to the Solicitor. (For more information about Potomac's relationship with Solicitors, see the 'Other Financial Industry Activities and Affiliations' section of this document, Item 10).

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, of any 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 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 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: The investment strategies listed above may not be appropriate for all investors. 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 to any specific performance level (s). Investment returns will fluctuate, and you may lose money. Investing involves risk that you should be prepared to bear. All investments in securities and/or investment products include possible risk of loss of your principal and profits.

Additional information regarding the risks associated with the investments that may be owned are more fully explained in the prospectus provided by the investment companies. Please read the prospectus of the individual funds for more information.

**NOTE: Employer-Sponsored Retirement Accounts** If you are leaving your employer you have various options regarding your employer sponsored retirement plan. You may be able to opt to leave your money in the former

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plan. You may be able to roll over the assets to a new employer's plan. It may be possible to cash out your account value and there may be tax consequences associated with that choice. You may instead opt to roll over the retirement assets into another account, and you may choose to have that account managed by Potomac. If Potomac recommends you roll over your retirement plan into an account this creates a conflict of interest in that Potomac will receive advisory fees from your account. Please ensure you have reviewed your options and made the best choice for your situation prior to making a decision about your retirement plan. **You are under no obligation to rollover assets into an account managed by Potomac.**

### **Item 5 Fees and Compensation**

#### **Investment Management Fees**

Potomac charges clients an annual fee for investment management services.

The annual fee is a tiered fee schedule that is reduced for assets above certain dollar break points. The rates shown are annual:

#### **ADVISORY FEE SCHEDULE:**

<b>Account Value</b>	<b>Annual Management Fee</b>
<b>First \$100,000</b>	<b>1.37%</b>
<b>Next \$400,000</b>	<b>1.10%</b>
<b>Next \$500,000</b>	<b>0.96%</b>
<b>Over \$1,000,000</b>	<b>0.68%</b>

For example, a client with a \$600,000 account would be charged 1.37% on the first \$100,000, 1.10% on the next \$400,000, and .96% on the last \$100,000.

Potomac also collects fees on behalf of the Solicitor, when applicable, who referred the client. The Solicitor Fee is an annual fee of between 0.00% and 1.13%, which is charged in the same manner as detailed below. The Solicitor Fee is detailed on the Solicitor's Disclosure Statement provided to clients by their Solicitor. Solicitors determine the Solicitor Fee rate. Due to the negotiable referral annual solicitor fee, investor's total annual fee will be more or less than advisor's other investors receiving the same or similar services from Advisor.

#### **INFORMATION ABOUT FEES**

Fees are billed quarterly, in advance at ¼ of the annual rates shown above. Fees are deducted directly from the client account. 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 Investment 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 services are due 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. Potomac reserves the right to waive the administrative fee (or any portion thereof) at its discretion. If your advisory fee refund**

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**amount is less than \$300, Potomac may use your refund amount to offset the administrative fee and then waive any remaining balance. We may reduce or waive these fees at our sole discretion.** As of the effective date of termination of our investment management services, we will have no obligation or authority to take any action with regard to your previously managed assets. You will bear the sole responsibility to work with your custodian for proper liquidation and/or management of your assets upon termination. We advise you to immediately contact your custodian to ensure your account is allocated according to your wishes.

Potomac, in its sole discretion may charge a lesser investment management fee and/or reduce or waive its account minimum based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with clients, etc.). Officers and Directors of Potomac, Sales Representatives and certain other persons may be charged less than the 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 institution's 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.

### Financial Planning Fees

Potomac Fund Management charges the client a Financial Coaching fee for ongoing monitoring and recommendations to the Financial Plan provided in this agreement. Our online Financial Coaching subscription is billed at

\$199/month, in advance. For any partial month, Financial Coaching will be billed in advance on a pro-rata basis for the remaining portion of the month and then billed on the start of each new month thereafter.

The Financial Coaching Fee includes all information gathering conversations, any printed out/emailed written plan documents, and the Plan Presentation conversation. Any investments, insurance, or other arrangements recommended may be purchased by the client based on the Financial Plan provided by PFM, the costs of which are not included in the Financial Coaching Fee.

PFM, in addition to providing Financial Coaching for a monthly fee, also provides investment management for individuals and organizations. If for any reason the client chooses to utilize PFM for a service other than the Financial Coaching related to this agreement, those services shall be paid for by the client according to the terms of the signed agreement(s) pertaining to those services.

Fees are subject to change upon PFM giving the Client thirty (30) days' notice either electronically or in writing. The Client has the option of accepting the new fee schedule or terminating this Agreement pursuant to the termination provisions of the Agreement. The new fee schedule will be deemed accepted if the Client does not terminate this agreement within 30 days of notice of the fee schedule change. The Client will have a period of five (5) business days from the date of signing the Financial Consulting Agreement to unconditionally rescind the Agreement and receive a full refund of all fees. After that time, to terminate the agreement, either party can provide a statement in writing or electronically to the other party of their intent to cancel the Financial Coaching services.

Upon termination, fees will be prorated to the date of termination and any unearned portion of the fee will be refunded to the Client.

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The Client understands and agrees that in the event of the Client's death or incapacity during the term of this Agreement, the authority of PFM under this Agreement shall remain in full force and effect until such time as PFM has been notified otherwise in writing by the authorized representative of the Client or the Client's estate.

### **Item 6 Performance-Based Fees and Side-by-Side Management**

Potomac does not charge performance-based fees (performance-based fees are fees that are based on the capital appreciation of the assets of an account).

### **Item 7 Types of Clients**

Potomac provides investment advice to individuals, pensions, profit sharing plans, trusts, estates, other investment advisors, and to corporations and other business entities.

Potomac imposes a minimum new account value of \$10,000 for all investment strategies. Minimums are subject to change. Special promotions may occur where the account minimum is lowered for a specific amount of time.

### **Item 8 Methods of Analysis, Investment Strategies and Risk of Loss**

Potomac uses the following methods to analyze securities: charting, fundamental, technical, and cyclical information. The main sources of information we use are financial newspapers and magazines, research materials prepared by others, and annual reports/prospectuses/filings with the Securities and Exchange Commission. The investment strategies used to implement any investment advice include long-term purchases (securities held at least a year), short term purchases (securities sold within a year), and trading (securities sold within 30 days).

Potomac's investment strategies are implemented through mutual funds and exchange traded funds. Mutual funds and exchange traded funds have internal expenses, and some funds and custodians impose additional fees such as short-term redemption fees. Mutual funds may be offered in many share classes with varying internal and custodial expenses. The mutual funds we select are no-transaction fee funds, which based upon our analysis, provide a better value than funds for which a transaction fee is imposed. New share classes are often added to the no-transaction fee fund list. Clients are advised that Potomac will make a best effort at the time of a purchase to determine the lowest available share class for a selected fund and will review our holdings on a quarterly basis to determine if a lower cost basis fund is available. There is no guarantee that we will always be invested in the fund share class with the lowest overall cost.

Please note, investing in securities involves risk of loss that clients should be prepared to bear.

**If no transactions are warranted, significant periods of time may go by without any transactions taking place. If there is no account activity, Potomac is still supervising the assets.**

### **Item 9 Disciplinary Information**

Potomac Fund Management does not have any legal or disciplinary events to disclose.

### **Item 10 Other Financial Industry Activities and Affiliations**

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 Rule 206(4)-3 of the Investment Advisors Act of 1940. Such an agreement requires the Solicitor to (1) provide the client with a separate solicitor's written disclosure document, prior to

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or at the time of entering into any advisory contract and (2) provide Potomac with a signed and dated acknowledgement of receipt of the same disclosure document by the client. Solicitors who are separately licensed as registered representatives of 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. Certain solicitors may be invited to attend seminars and meetings hosted by Potomac in which we may bear the full costs associated with Solicitor's attendance of such meetings. The purpose of these meetings will be to provide general market and industry information as well as information about Potomac's advisory services.

### **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Potomac Fund Management has adopted a code of ethics pursuant to SEC Rule 204A-1. The Code of Ethics 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. The Code of Ethics must be signed by all employees and by doing so they agree to the following: Employees cannot seek to benefit from insider information, all client information is strictly confidential, employees must provide a personal securities transaction report on a quarterly basis. A copy of Potomac's Code of Ethics is available upon request to any client or prospective client.

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

Potomac believes that no conflict of interest would exist in these practices because:

- 1) Transactions involving money market and other mutual funds and exchange traded 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 are neither 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) And 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 12 Brokerage Practices**

At times Potomac may suggest a Broker to a client. 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 and exchange traded 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.

Please note: Potomac offers its investment strategies through the investment platforms sponsored and/or offered by 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 such assets referred to Potomac by all representatives of a specific broker/dealer. In addition, Potomac may also reimburse a

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representative of a solicitor for expenses incurred by such representative when marketing Potomac's investment advisory services.

Research and Additional Benefits. Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker/dealer, custodian, product sponsor, or other service provider, Potomac may receive from unaffiliated entities, without cost (and/or at a discount), support services, financial assistance for the purpose of offsetting costs associated with our annual conference or other marketing, and/or products, certain of which assist Potomac to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Potomac may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support (including sponsorship of Potomac's annual conference), computer hardware and/or software and/or other products used by Potomac in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that may be received may assist Potomac in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Potomac to manage and further develop its business enterprise.

Potomac's clients do not pay more for investment transactions effected and/or assets maintained at Fidelity or TD Ameritrade because of this arrangement. There is no corresponding commitment made by Potomac to any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products because of the above arrangement.

**Potomac's Chief Compliance Officer, Ann Zemann, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

### **Item 13 Review of Accounts**

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 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.

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.

### **Item 14 Client Referrals and Other Compensation**

Potomac's services can be 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. Clients will receive a separate solicitor's written disclosure statement, which details the relationship between the solicitor and Potomac and will sign that disclosure statement. A copy of the disclosure statement is then provided to Potomac. Solicitors who are separately licensed with as registered representatives of a broker/dealer may receive or have received commissions for customer's initial purchase, depending on the strategy entered by the client. Neither Potomac nor any related person receives any portion of these commissions.

Should a solicitor no longer be qualified to receive referral fees, clients are advised that Potomac and its representatives are available to assist them with their financial needs and will become the primary point of contact. This includes facilitating any directions, notices or instructions or changes to a client's financial situation. In such instances, solicitor fee will then be retained by Potomac.

### **Item 15 Custody**

Potomac has custody of client assets solely due to its ability to withdraw fees from accounts. Clients will receive a monthly statement from the custodian where the client's assets are held. In some cases, the client will receive quarterly statements from the custodian. At times, the client's financial advisor may provide an account statement generated from Potomac's website. Please review and compare this statement to the statement provided by your custodian. If there is a discrepancy between the statements, please contact your financial advisor or Potomac Fund Management immediately.

### **Item 16 Investment Discretion**

Potomac retains limited discretion. In other words, Potomac has the authority to determine the securities bought or sold in a client's account. The Investment Advisory Agreement limits this discretion to investment selection and execution, as well as distribution of funds solely to the client address of record.

### **Item 17 Voting Client Securities**

Potomac does not vote proxies as indicated in the Investment Advisory Agreement. If Potomac inadvertently receives proxies, they will not be voted on behalf of the client. Clients retain the right to vote their proxies.

### **Item 18 Financial Information**

Potomac does not solicit fees of \$1,200, per client, more than six months in advance. We are unaware of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to client accounts. Potomac has not been subject to a bankruptcy petition.

**If you have any questions, Potomac's Chief Compliance Officer, Ann Zemmann, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

**Potomac Fund Management**

**Form ADV Part 2B  
Brochure Supplement**

Manish Khatta

5 E. Dover St., Suite 301

Easton, MD 21601

Phone: 888-768-6622

**This brochure supplement provides information about Manish Khatta that supplements the Potomac Fund Management brochure. You should have received a copy of that brochure. Please contact us at the above number if you did not receive Potomac Fund Management’s brochure or if you have any questions about the contents of this supplement.**

**Additional information about Manish Khatta is available on the SEC’s website at  
[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**



## **Form ADV – Part 2B**

### **Item 2 Educational Background and Business Experience**

Manish Khatta, President, Portfolio Manager, 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 in January 2013 he became President.

### **Item 3 Disciplinary Information**

There is no disciplinary information to disclose.

### **Item 4 Other Business Activities**

There are no other business activities to disclose

### **Item 5 Additional Compensation**

There is no additional compensation to disclose.

### **Item 6 Supervision**

Potomac's investment committee makes decisions as a team. The investment committee is supervised by Manish Khatta, President of Potomac. He can be reached at 888-768-6622. The person responsible for supervision is Ann Zemann. She supervises the associates by monitoring their emails, reviewing paperwork they complete, meeting with them routinely, and enforcing the Firm's Written Supervisory Procedures and Code of Ethics. Ms. Zemann may be reached at 402-502-2881.

**Potomac Fund Management**

**Form ADV Part 2B**

**Brochure Supplement**

Jeffrey Goodnow

5 E. Dover St, Suite 301

Easton, MD 21601

Phone: 888-768-6622

**This brochure supplement provides information about Jeffrey Goodnow that supplements the Potomac Fund Management brochure. You should have received a copy of that brochure. Please contact us at the above number if you did not receive Potomac Fund Management’s brochure or if you have any questions about the contents of this supplement.**

**Additional information about Jeffrey Goodnow is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**

## **Form ADV – Part 2B**

### **Item 2 Educational Background and Business Experience**

Jeff Goodnow, Director of Advisor Education and Investment Advisor Representative was born on January 20, 1970. Mr. Goodnow holds a BA degree in Psychology from the University of Kansas. He has been a full-time employee with Potomac since September 2015 and in 2017 became a minority owner of the firm.

### **Item 3 Disciplinary Information**

There is no disciplinary information to disclose.

### **Item 4 Other Business Activities**

There are no other business activities to disclose.

### **Item 5 Additional Compensation**

There is no additional compensation to disclose.

### **Item 6 Supervision**

Potomac's investment committee makes decisions as a team. Manish Khatta supervises the investment committee. He may be reached at 888-768-6622. The person responsible for supervision is Ann Zemann. She supervises the associates by monitoring their emails, reviewing paperwork they complete, meeting with them routinely, and enforcing the Firm's Written Supervisory Procedures. Ms. Zemann may be reached at 402-502-2881.