



# POTOMAC

Form ADV Part 2A

## Item 1 Cover Page

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d/b/a Potomac

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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@potomac.com](mailto:info@potomac.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state's 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).**

## Form ADV – Part 2A

### Item 2 - Material Changes

This Material Changes section describes material changes to this brochure since the previous brochure was filed as part of Potomac Fund Management’s last annual updating amendment in March 2025.

#### July 2025

- Jeffrey Schropp was named as Potomac’s new Chief Compliance Officer (“CCO”).
- Potomac opened a new office in Bethesda, Maryland. This location will serve as Potomac’s principal office and place of business.

#### March 2026

- Potomac updated this brochure to reflect certain changes in how it provides services to Union clients through self-directed brokerage accounts (“SDBAs”) associated with employer-sponsored retirement plans. The brochure has been revised to provide additional disclosure regarding: (i) how Potomac manages SDBA accounts, (ii) the use of a specific share class of the Potomac Funds for SDBA accounts, (iii) how Potomac and Client Advisor Representatives are compensated for services provided to those accounts, (iv) the conflicts of interest associated with this arrangement, and (v) the steps Potomac takes to mitigate those conflicts. These updates are described in greater detail in Item 4 (Advisory Business), Item 5 (Fees and Compensation), and Item 10 (Other Financial Industry Activities and Affiliations) of this brochure. In connection with these changes, Potomac also updated Item 8 (Methods of Analysis, Investment Strategies, and Risk of Loss) to clarify that when implementing strategies through certain platforms or account structures, including SDBAs, Potomac uses a specific share class rather than exclusively seeking the lowest-cost share class available.

If you would like another copy of this brochure, you can either download it from the SEC website as indicated above or contact our Chief Compliance Officer, Jeffrey Schropp, by calling (301) 901-3466.

## Form ADV – Part 2A

### Item 3 Table of Contents

Item 2: Material Changes .....	1
Item 4 Advisory Business .....	3
Item 5 Fees and Compensation .....	7
Item 6 Performance-Based Fees and Side-by-Side Management .....	11
Item 7 Types of Clients.....	11
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss.....	11
Item 9 Disciplinary Information .....	16
Item 10 Other Financial Industry Activities and Affiliations .....	16
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	17
Item 12 Brokerage Practices .....	17
Item 13 Review of Accounts .....	19
Item 14 Client Referrals and Other Compensation.....	19
Item 15 Custody .....	20
Item 16 Investment Discretion .....	20
Item 17 Voting Client Securities.....	20
Item 18 Financial Information.....	21
Exhibit A – Investment Strategies .....	22
Form ADV Part 2B – Brochure Supplement .....	24

## Form ADV – Part 2A

### Item 4 Advisory Business

#### Introduction

Potomac Fund Management, Inc. (“We”, “Our,” “Us” or “Potomac”) was founded in 1987. Potomac specializes in portfolio management and offers its services through various platforms and to different clients. The investment strategies currently offered by Potomac, described in Exhibit A to this Brochure, may be amended from time to time without notice to current clients, and may differ in availability from program to program. These strategies span a wide range of risk and performance objectives.

The firms’ owners are Manish Khatta (90%) and Jeff Goodnow (10%).

#### Assets Under Management

**As of December 31, 2025 Potomac oversaw total assets of \$3,309,870,451 which includes the following:**

Discretionary Assets, totaling approximately \$3,277,115,272. Discretionary Assets are those assets for accounts where we have discretionary authority and provide continuous and ongoing supervisory or management services.

Assets Under Advisement, totaling approximately \$32,755,179. Assets Under Advisement are those accounts where we provide administration services but do not have the ability to execute transactions on the accounts.

#### Potomac’s Services

Potomac offers the following services:

- 1) **The Potomac Funds** - Potomac serves as investment adviser to a series of mutual funds, called the Potomac Funds<sup>1</sup>. For additional information about the Potomac Funds, including fees, expenses, and risk factors, please see each fund’s Prospectus and Statement of Additional Information.
- 2) **Third-Party Sponsored Advisory Programs** – Potomac provides investment advisory services, including model portfolio management, through separately managed account programs sponsored by other broker/dealers and investment advisers.

Through these programs, the "sponsor" of the program contracts directly with their clients to perform various types of investment management services. Potomac delivers model portfolios to the investment platform. The sponsor or another financial professional is responsible for obtaining the necessary financial information from the client, assisting the client in determining the suitability of the program, establishing their investment objective, and opening an account.

Potomac’s model portfolios generally reflect the investment strategies described in Exhibit A (“Potomac Strategies”) to this Brochure subject to any restrictions, limitations, or specific directions that the sponsor or their

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<sup>1</sup> Incepted July 2020, the Potomac Funds include the Potomac Managed Volatility Fund, the Potomac Tactical Rotation Fund, the Potomac Tactical Opportunities Fund, and the Potomac Defensive Bull Fund. The Potomac Tactically Passive Fund has an inception date of February 2026.

## Form ADV – Part 2A

clients give to us. The Potomac Funds are used exclusively in the Potomac Strategies. Clients and prospective clients should review the disclosure under “Use of Affiliated Funds in Potomac Strategies” below.

Potomac continuously reviews, supervises, and updates the model portfolios pursuant to agreements with each sponsor. However, Potomac does not implement the model portfolios on behalf of client accounts and does not have access to information about the underlying clients in the sponsor’s programs. Please refer to each sponsor’s Form ADV Part 2A, Form CRS, or other disclosure documents, for additional information about the services offered through each sponsor’s programs.

We may agree to pay program sponsors to include one or more of our strategies or Potomac Funds in their program. This creates a conflict of interest as it incentivizes the sponsor to include our strategies and Potomac Funds in their program. In addition, we may agree to assume certain costs that would otherwise be passed along to a financial institution or financial professional or their end client. This creates a conflict of interest as it incentivizes the financial institution or financial professional to select our strategies over others to avoid having to directly pay an expense or incurring an expense on behalf of their client. We mitigate these conflicts of interest by disclosing them to the financial institutions and financial professionals that recommend our strategies and the Potomac Funds so that they can make informed decisions and appropriate disclosures to their clients.

### 3) **Union Platform (The Strategist Program)**

Background. Potomac sponsors a turnkey asset management program, called Union Platform, where it provides discretionary investment advisory services. We provide investors with a means to access professional investment management services from Potomac and other investment advisers.

Types of Clients. In the Union Platform, Potomac provides its services to investors (which we refer to as “Union clients”) introduced by persons unaffiliated with Potomac.

Methods of Advice. There are three different methods by which you can receive investment advice on the Union Platform. You may select from strategies (1) managed directly by Potomac (the “Potomac Strategies,” as described above), (2) created by an unaffiliated investment adviser but implemented by Potomac (“Non-Potomac Strategies”), and (3) managed on a discretionary basis by another investment adviser where the investment adviser is responsible for implementing their own advice and executing trades in the client’s account (an “SMA Strategy”). Each of the Potomac Strategies, Non-Potomac Strategies, and SMA Strategies are referred to as a “Strategy” and each investment adviser participating in the program is referred to as a “Strategist.” Strategists other than Potomac are referred to as “Non-Potomac Strategists”.

Determining Investment Objectives; Suitability of the Program; Selecting Investment Strategies. As part of the client onboarding process, Union clients must assess their needs, objectives, the suitability of the program, and select Strategies. Union clients are assisted by their primary advisor, known as their “Client Advisor Representative,” in determining their investment needs and objectives, the suitability of the Union Platform and its Strategies, and selecting appropriate Strategies. Throughout this brochure, we also refer to “Client Advisor” to mean the financial firm employing or associated with the Client Advisor Representative. As between Potomac, a Union client, and a Client Advisor Representative, the Union client and Client Advisor Representative are exclusively responsible for: (1) determining the client’s initial and ongoing suitability for the program and its Strategies, and selecting one or more Strategies; (2) for receiving all client directions, notices and instructions, and forwarding them to Potomac, in writing, (3) remaining reasonably available to discuss the client’s account and to

## Form ADV – Part 2A

answer questions about the program and its Strategies, determining whether there have been any changes in the client's investment objectives or risk tolerance, and determining whether to change the account's Strategy. Potomac is entitled to rely upon any such direction, notice, or instruction until it has been duly advised in writing of changes. For more information about Potomac's relationship with Client Advisor Representatives, see the 'Other Financial Industry Activities and Affiliations' section of this document, Item 10.

As part of the account onboarding process, Union clients will deposit funds and securities in their account(s) and agree that Potomac may, without further authorization, liquidate any other assets deposited in their account(s). Union clients acknowledge and agree that liquidation of these securities may result in tax consequences, for which they should consult with their Client Advisor Representative or other tax advisors.

Management of Accounts and Strategies. Potomac Strategies are managed by Potomac on an ongoing, discretionary basis. Potomac retains discretion for buying and selling securities in the Strategy, which are then executed in your account (subject to accepted restrictions). Potomac Strategies are managed by Potomac according to the Strategy's investment objectives and not necessarily the individual's personal financial situation or investment objectives. Clients may request reasonable restrictions on the management of their account, which will only be honored if Potomac acknowledges acceptance in writing. For Non-Potomac Strategies, the other investment adviser provides Potomac with investment signals on how the account should be constructed and Potomac implements those instructions in your account. Potomac retains discretion on whether to implement the advice and the timing for implementing the advice it receives from the other adviser, which means that the performance can differ from the performance of having your account managed directly by the Strategist. In each of the Potomac Strategies and the Non-Potomac Strategies, Union clients or their Client Advisor Representative select a Strategy, but security selection for a Strategy is based upon the Strategy's objectives and not upon the individual financial situation or suitability of a client who has chosen to invest in the Strategy. For SMA Strategies, Union clients and Client Advisor Representatives are responsible for obtaining information from the Strategist on how their account will be managed. Union clients and Client Advisor Representatives should be guided accordingly.

Use of Affiliated Funds in Potomac Strategies. The Potomac Funds are used exclusively in the Potomac Strategies offered on Third Party Sponsored Advisory Programs and in the Union Platform. The specific strategies are identified in Exhibit A in this brochure.

Union clients and Client Advisor Representatives should understand that Potomac Funds are used exclusively in Potomac Strategies, meaning that in most cases, up to 100% of an account may be invested in Potomac Funds. There are two primary reasons Potomac uses the Potomac Funds in the Potomac Strategies. First, the use of Potomac Funds improves the speed of execution. Capital markets move fast, and to capitalize on market inefficiencies managers must react accordingly. By using the funds, trading and security selection are more efficient for Potomac. Instead of (i) placing numerous trades in Union client accounts, or (ii) identifying Union client accounts to aggregate and trade on a block basis, Potomac can place trades in the account of the specific Potomac Fund—which is then held by the Union client. Second, the use of the Potomac Funds in the Potomac Strategies allows Potomac to offer and manage its Strategies more consistently across various platforms which normalizes the client experience regardless of how Potomac's strategies are accessed. Union clients and Client Advisor Representatives should not invest in these Strategies unless they are comfortable holding an investment portfolio that is comprised exclusively of the Potomac Funds. For more information about the conflicts of interest

## Form ADV – Part 2A

this arrangement creates and how Potomac mitigates this conflict, Union clients and Client Advisor Representatives should review Item 5 below.

In addition, the Union Platform uses different share classes of the Potomac Funds for self-directed brokerage accounts associated with employer-sponsored retirement plans (each an “SDBA”) and are subject to additional conflicts of interest. Union Clients and Client Advisor Representatives should review the section below titled “Self-Directed Brokerage Accounts” for more information about those conflicts of interest.

Self-Directed Brokerage Accounts. Union clients can receive investment advice through the Union Platform for their SDBAs. In many SDBAs, the plan sponsor, recordkeeper, or custodian does not permit advisory fees to be deducted directly from the SDBA by investment advisers. Although some SDBAs may permit advisory fee deduction, Potomac has determined, for purposes of operational efficiency and consistency, to treat all SDBAs as if advisory fee deduction is not permitted. For the avoidance of doubt, this applies even if the SDBA permits the deduction of an advisory fee. In managing all SDBAs for Union clients, Potomac makes available the Class R Shares of the Potomac Funds. The Funds compensate Potomac for investments in their respective Class R Shares pursuant to an administrative services agreement with a fee that is solely designed to compensate Potomac for the provision of certain specific administrative services and not for the provision of advisory services. Notwithstanding, Potomac also receives an investment management fee from the Potomac Funds, which covers another class of shares of the Potomac Funds, in addition to the Class R shares. Potomac does not receive an advisory fee through the direct payment of a Platform Fee and Strategy Fee from the SDBAs.

Therefore, Union clients and Client Advisor Representatives can only access Potomac Strategies for their SDBAs. As discussed above, the Potomac Funds are used exclusively in the Potomac Strategies. These funds pay Potomac an investment management fee and an administrative and service fee. These fees are reflected in the expenses of the mutual fund and therefore compensate Potomac for its investment management and administrative services provided to the Potomac Funds and allow Potomac to forgo its Platform Fee and Strategy Fee.

In managing SDBAs, Potomac uses a different share class than it does in managing non-SDBAs. Potomac specifically uses the Class R Shares of the Potomac Funds. The Class R shares are designed for use in retirement plans and similar platforms where advisory fees cannot be deducted directly from client accounts. The additional administrative fee associated with Class R shares is intended to compensate Potomac for providing administrative and platform services to the Class R shareholders.

The Class R Shares include an additional administrative fee than the share classes used in non-SDBAs in the Program. As a result, Union clients, as Class R shareholders, indirectly compensate Potomac through mutual fund expenses. Those Union clients are not charged a direct advisory fee by Potomac. Instead of the Union client paying the Client Advisor Representative for their services with respect to SDBAs, Potomac pays the Client Advisor Representative their fee. For more information about the fees and expenses associated with SDBAs in the Platform, the conflicts of interest that this arrangement creates, and how Potomac seeks to address them, see Item 5 below under the heading “Self-Directed Brokerage Accounts (SDBA) Fees”.

Client Advisor Discontinuation. It is the policy of the Firm to maintain advisory relationships only with Union Clients who are associated with an approved Client Advisor Representative. In some cases, your Client Advisor Representative may retire, switch careers, become disabled, pass away, or otherwise cease providing their

## **Form ADV – Part 2A**

services as your Client Advisor Representative. We refer to these accounts as “orphaned accounts”. When a client account becomes orphaned, the client may establish a new relationship with an approved Client Advisor Representative. Otherwise, it will be necessary for Potomac to terminate the investment advisory agreement with the client in accordance with its termination provisions.

### **Risks About Potomac’s Investment Strategies**

The investment strategies managed by Potomac, and referenced in Exhibit A, 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 investment strategies recommended or made by Potomac) will be profitable. Investment returns will fluctuate, and you may lose money. Investing involves risk that you should be prepared to bear. All investments in securities include the possible risk of loss of your principal and profits. Additional information regarding the risks associated with the investments that may be owned is more fully explained in the prospectus provided by the investment companies. Please read the prospectus of the individual funds for more information.

### **Not Legal Advice or Tax Advice**

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 legal or accounting advice.

## **Item 5 Fees and Compensation**

### **The Union Platform Fees and Expenses**

The fees for the Union Platform are comprised of three parts: the “Platform Fee,” the “Client Advisor Fee”, and one or more fees based on the investment strategies that you and the Client Advisor Representative select, (each a “Strategy Fee”). Each of these fees is described in greater detail below. Fees for SDBAs are treated differently and Union clients, Client Advisors Representatives, and prospective Union clients and Client Advisor Representatives should review the section under the heading “Self-Directed Brokerage Accounts (SDBA) Fees” below for information about the fees associated with SDBAs.

#### **The Platform Fee**

The Platform Fee provides compensation to Potomac for maintaining the program and providing administrative services to your account. These administrative services include but are not limited to: providing access to technology that enables account trading, rebalancing, servicing, billing, reporting and general operations; arranging for custodial services to be provided by various custodians pursuant to a separate agreement between you and your custodian; coordinating with custodians regarding the delivery of comprehensive account services; and maintenance and access to an electronic or web-based system that provides detailed information on each account on a daily basis. The annual rate of the Platform Fee is administrative in nature and based on the amount of assets under Potomac’s management or administration. This fee schedule is listed below. We retain the right to reduce our administrative fee with Client Advisor Representative at our sole discretion.

## Form ADV – Part 2A

Platform Fee	
\$0 - \$100,000	0.40%
\$100,000 - \$500,000	0.32%
\$500,000 - \$1,000,000	0.28%
Over \$1,000,000	0.20%

### The Strategy Fee

The Potomac Strategies in the Union platform exclusively use mutual funds managed by Potomac, for which it receives a management fee from the mutual fund. In these strategies, Potomac has waived the Strategy Fee and will be compensated exclusively through the Potomac Funds. The Potomac Strategies are listed in Exhibit A.

Potomac is entitled to receive from each Potomac Fund an annual investment management fee of up to 1.25%<sup>2</sup> based on each Potomac Fund's average daily net assets but may receive less due to waivers. Under a services agreement with the Potomac Funds, Potomac also stands to receive an additional fee, which may vary year by year. As of October 2023, the additional fee was 0.50% of each Potomac Fund's average daily net assets up to \$25 million, and 0.20% of such assets in excess of \$25 million for services provided under the services agreement. In exchange, Potomac is obligated to pay the operating expenses of each Potomac Fund excluding management fees, brokerage fees and commissions, 12b-1 fees (if any), taxes, borrowing costs (such as (a) interest and (b) dividend expenses on securities sold short), ADR fees, the cost of acquired funds and extraordinary expenses. The service fee agreement and our receipt of revenue create a conflict of interest as it results in our receipt of additional compensation. While the additional fee is intended to compensate us for expenses incurred in supervising Potomac Funds' business affairs, it may not always operate as a one-to-one offset. We mitigate this conflict of interest by disclosing it to the financial institutions and financial professionals that recommend our strategies and the Potomac Funds so that they can make informed decisions and appropriate disclosures to their clients. For additional information about the Potomac Funds, their management fees, and the service fee agreement, please see the funds' Prospectus and Statement of Additional Information. As described in Item 4 above, in managing SDBAs, Potomac uses a different share class than it does in managing non-SDBAs. Potomac uses the Class R Shares of the Potomac Funds in managing SDBAs. The Class R Shares include an additional administrative services fee than the share classes used in non-SDBAs in the Platform. With respect to Class R Shares, Potomac receives an additional fee equal to 1.00% of the average daily net asset value of the Class R shares of each fund (the "R Shares Administrative Services Fee"). For more information about the fees and expenses associated with SDBAs in the Platform, the conflicts of interest that this arrangement creates, and how Potomac seeks to address them, see Item 5 below under the heading "Self-Directed Brokerage Accounts (SDBA) Fees" and each fund's Prospectus and Statement of Additional Information.

For Non-Potomac Strategies and SMA Strategies, the Strategy Fee will range from 0.10% - 0.80%. In certain cases, we may retain a portion of the Strategy Fee. This creates a conflict of interest in that we may have an incentive to make these Strategists available on the platform over another model. In addition, some Strategists may select their own affiliated mutual funds when developing their models. We don't impose any limitations on Strategist's use of affiliated funds in their models, but they have disclosure obligations to investors, and clients and Client Advisor Representatives should review a Strategist's Form ADV Part 2 prior to investing. Additionally, Strategists may refer or recommend their clients to invest via our platform. This arrangement creates an incentive for us to continue to make these Strategists available over others that we may be considering. To mitigate these conflicts, we do not take revenue sharing payments into account when determining whether to retain Strategists.

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<sup>2</sup> Under the management agreement with the Potomac Funds, Potomac receives an investment management fee currently equal to: 1.25% of average daily net assets up to \$100 million, 1.00% of average daily net assets between \$100 million and \$200 million, and 0.90% of average daily net assets above \$200 million.

## Form ADV – Part 2A

### The Client Advisor Fee

The Client Advisor Fee is an annual fee of between 0.00% and 1.50%, which is charged in the same manner as detailed in the disclosure “Additional Information about Strategist Program’s Fees and Expenses” below. Client Advisor Representatives determine their fee rate. Due to the variability of each of these fees, your total annual fee could be more or less than other investors receiving the same or similar services from Potomac.

### Self-Directed Brokerage Accounts (SDBA) Fees

As described in Item 4 above, in managing SDBAs, Potomac uses a different share class than it does in managing non-SDBAs. Potomac uses the Class R Shares of the Potomac Funds in managing SDBAs. Potomac has determined to apply this structure uniformly to all SDBAs participating in the Union Platform for operational efficiency and consistency, even if a particular SDBA would permit direct advisory fee deduction.

In addition to the investment management fee and services fee described in “The Strategy Fee” section above, Class R Shares pay Potomac an additional administrative services fee equal to 1.00% of the average daily net asset value of the Class R Shares of each Fund (the “R Shares Administrative Services Fee”).

The R Shares Administrative Services Fee is intended to compensate Potomac for providing, among other things, the technology and operational infrastructure necessary to support the Union Platform and SDBAs, including platform technology, proposal generation tools, consolidated reporting, coordination of SDBA setup and asset transfers, monitoring and servicing of SDBA portfolios, integration of retirement accounts with other Union client accounts, and other administrative and operational services associated with maintaining client accounts through the Union Platform.

Instead of the Union client paying the Client Advisor Representative for its services with respect to SDBAs, Potomac pays the Client Advisor Representative their fee. This fee is paid at an annualized rate of 0.75% based on the average daily net asset value of amounts invested by each Union client invested in Class R shares of each fund.

Depending on the size of the account and the fees the Union client and Client Advisor Representative have agreed to for non-SDBA accounts, the total compensation received by Potomac and the Client Advisor Representative in connection with SDBAs may be higher than the compensation that would be received if the same assets were invested in a non-SDBA account using other share classes or investment vehicles.

The use of Potomac Funds, and specifically Class R Shares, in SDBA accounts creates several conflicts of interest. Because Potomac receives management fees, services fees, and administrative services fees from the Potomac Funds, Potomac has a financial incentive to use the Potomac Funds and Class R Shares rather than other investment vehicles or share classes that may have lower overall expenses. While Potomac cannot eliminate this conflict of interest, Potomac seeks to mitigate these conflicts through several measures, including:

- Attempting to structure the SDBA offering in a way that ensures Client Advisor Representatives are compensated for their services,
- Full disclosure of the compensation structure in this brochure and in the Union Platform Investment Advisory Agreement,
- Subjecting the Potomac Funds investment management agreement and administrative services arrangements to board oversight, review, and approval by the Trust’s Board of Trustees,
- Creating a single approach for all SDBAs participating in the Union Platform so that all SDBAs are treated uniformly, and
- Providing Potomac Fund prospectus and shareholder reports to Union clients and making them available to Client Advisor Representative.

## Form ADV – Part 2A

In addition, because Client Advisor Representatives are compensated by Potomac rather than directly by the client in connection with SDBAs, Client Advisor Representatives have an incentive to recommend that clients maintain assets in SDBAs invested in the Potomac Funds rather than in other account structures or investment options.

Periodically, Potomac will review this SDBA arrangement, including the fee structure, and determine whether it remains appropriate given plan restrictions, the number of SDBAs under Potomac's management, and in light of current market practices.

### Other Program Expenses

Clients are responsible for all fees imposed by custodians and the indirect expense of any investment that they own, including mutual funds and exchange traded 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 the 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.

### Additional Information about Strategist Program's Fees and Expenses

The Platform Fee, the Client Advisor Fee, and each Strategy Fee are prorated and paid monthly, in arrears, based upon the average daily balance of the Account. The total all-in fee charged to the client will never exceed 2.50%.

Unless other arrangements are made, the custodian will debit these fees from your account. If a client has more than one account with Potomac, all account balances will be aggregated to determine which Platform Fee (and potentially the Client Advisor Fee and Strategist Fee) 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.

The Platform Fee, and potentially the Client Advisor Fee and Strategist Fee, are tiered so that, subject to certain exceptions, the first dollar under management receives the highest fee and only those assets over the breakpoints receive the reduced fees. Under certain circumstances, assets held in one program account may be considered when determining breakpoints relating to another account held for the benefit of the same or a related person.

All payments for services are due on the first day following the end of the billing period. All agreements remain in full force until terminated by either party. Either party may terminate the agreement at any time by giving written notice. As of the effective date of termination of our investment management services, we will have no obligation or authority to take any action regarding your previously managed assets. You will bear the sole responsibility of working 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 reduce its fees 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, Client Advisors, and certain other persons may be charged less than the full fee, as previously detailed, upon approval of an authorized Potomac executive.

Investors should be aware that the fees charged by Potomac may be higher or lower than those charged by others in the industry and that it may be possible to obtain the same or similar services from other investment advisers at lower or higher rates. An Investor may be able to obtain some or all the types of services available through Potomac on an

## Form ADV – Part 2A

“unbundled” basis either through other firms or through other separately managed account platforms, and, depending on the circumstances, the aggregate of any separately paid fees, or bundled fees may be lower or higher than our fees.

### **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). Potomac does not use a performance-based fee structure because of the conflict of interest. Performance-based compensation creates an incentive for Potomac to recommend an investment that may carry a higher degree of risk to the client.

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

Potomac provides investment advice to individuals, pensions, profit sharing plans, trusts, estates, other investment advisors, and corporations and other business entities. Potomac does not require a minimum asset level for Union Clients invested in a single Potomac Strategy. For new sleeved accounts, which are accounts that invest in more than one Potomac Strategy and/or Non-Potomac strategy, Potomac has instituted a \$20,000 minimum for the combined value of the sleeved accounts. Additionally, Non-Potomac Strategies on the Union Platform may have their own account minimum requirements.

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

#### **Methods of Analysis and Investment Strategies Used in Formulating Advice and Managing Assets**

For Potomac Strategies, we use charting, technical analysis, fundamental analysis, and cyclical analysis to formulate our advice. Each of these methods of analysis is described in more detail below. In implementing Non-Potomac Strategies, we generally implement the Non-Potomac Strategists' advice subject to our discretion. In almost all instances, we will implement their advice without deviation. However, in certain instances, we may implement their advice on the following business day due to delays in the receipt of information or for other reasons. Our investment strategies are more thoroughly described in Exhibit A. ***Investing in securities involves a risk of loss that clients should be prepared to bear.***

#### **Guardrails for the Union Platform**

Potomac uses a version of Guardrails, a proprietary risk analysis software and proposal generation tool, designed specifically for the Union platform. Guardrails' risk scoring process utilizes maximum drawdown to determine risk tolerance for each client, thereby creating a risk score that is then matched to a proposed Investment Strategist, or combination of Strategists' models, that fits within those parameters.

The risk score category assigned represents the upper and lower limits or “Guardrails” of risk tolerance as a percent of probable loss. The higher the estimate, the greater the level of volatility that a portfolio may experience over a certain period. Guardrails considers, among other factors, the volatility of the portfolio over a certain period; a comparison of the portfolio's volatility over a certain period to the volatility of the S&P 500 Index; and the long-term volatility of the S&P 500 Index.

**IMPORTANT:** The projections or other information generated by Guardrails are hypothetical in nature, do not reflect actual investment results, and are not a guarantee of future results. The performance generated by Guardrails represents the blended performance of one or more Potomac Strategies, third-party SMA strategy, or other individual securities.

## Form ADV – Part 2A

Those strategies and securities were not used in this blended manner over the specified time. Performance in the reports generated by Guardrails is presented net of management fees. For portfolio proposals, Potomac and third-party SMA strategy performance is calculated net of a maximum 2.5% advisory fee, underlying management fees, other (administrative) expenses, and, if any, redemption or rule 12b-1 fees. For individual securities holdings in the proposal, performance is presented net of 1% advisory fee.

Hypothetical performance is intended for financial professional use only and should only be used in one-on-one settings with the Client Advisor Representative present. Guardrails does not provide investment advice or recommendations for purchasing specific securities or specific portfolios. Results generated by Guardrails are for informational purposes only.

### Charting Analysis

We analyze price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to charts, which are used to predict future price movements based on price patterns and trends. Charts may not accurately predict future price movements. Current prices of securities may not reflect all information about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

### Technical Analysis

We analyze past market movements and apply that analysis to the present to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents the risk that a poorly managed or financially unsound company may underperform regardless of market movement.

### Fundamental Analysis

We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

### Cyclical Analysis

We seek to evaluate recurring price patterns and trends. Economic/business cycles may not be predictable and may have many fluctuations between long-term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

### Material Risks Associated with Investment Strategies

**Defensive Positions of the Strategies.** Potomac's Tactical Asset Allocation Strategies referenced in Exhibit A may hold all or a portion of its assets in cash or cash-equivalents like money market funds, certificates of deposit, short-term debt obligations, and repurchase agreements, either due to pending investments, when investment opportunities are limited, or market conditions are adverse. Under these circumstances, your account may not participate in stock market advances or declines to the same extent it would had it remained more fully invested in securities. When invested in shares of a

## Form ADV – Part 2A

money market fund, you will generally be subject to duplicative management and other fees and expenses. As a result of engaging in these temporary measures, a strategy may not achieve its investment objective.

**Non-Diversification.** Each of the Potomac Funds are classified as "non-diversified" portfolios, which means they can invest in fewer securities at any one time than a diversified portfolio and can invest more of their assets in securities of a single issuer than a diversified portfolio. If you invest in a strategy that uses the Potomac Funds, you may hold a non-diversified portfolio that can invest in a smaller number of securities. Non-diversification increases the risk that the value of a fund could go down because of the poor performance of a single investment. Because a Potomac Fund may invest a significant percentage of its assets in a single ETF, mutual fund, futures position and/or money market fund, and at times may hold only one such position along with a cash or cash equivalent position, there is a risk that events negatively affecting these fewer positions will have a greater negative impact on your account's performance.

**Management Risk.** Potomac's implementation of a strategy may fail to produce the intended results. In circumstances where Potomac establishes high conviction positions, it is possible the results of the trend analysis will be incorrect and the high-conviction trade (i.e., the leveraged position) will not produce the desired results; in such circumstances, the losses that you may incur will be greater than they would otherwise be had Potomac not taken the leveraged position. At times, Potomac may determine to hold significant portions of an account in cash and cash equivalents, and in such scenarios may detract from a strategy's ability to achieve its objectives.

**Risks in General.** Domestic and foreign economic growth and market conditions, interest rate levels, and political events are among the factors affecting the securities markets of client investments. There is a risk that these and other factors may adversely affect your accounts' performance. You should consider your own investment goals, time horizon, and risk tolerance before investing with Potomac. An investment with Potomac may not be appropriate for all investors and is not intended to be a complete investment program.

**Catastrophic Events Risk.** The value of securities may decline because of various catastrophic events, such as war, pandemics, natural disasters, war or other global conflict and terrorism. Losses resulting from these catastrophic events can be substantial and could have a material adverse effect on client portfolios.

**Operational and Technology Risks.** Cyberattacks, disruptions, breaches or other failures that affect Potomac, issuers of securities held in a portfolio, or other market participants may adversely affect the value of a client's portfolio or Potomac's ability to provide client services, including during times of market volatility. Certain such events could potentially result in the dissemination of confidential information. While Potomac has established business continuity and other plans and processes that seek to address the possibility of and fallout from cyberattacks, disruptions, breaches or failures, there are inherent limitations in such plans and systems, and there can be no assurance that such plans and processes will address the possibility of and fallout from any such event.

**Risks of Equity Securities.** Overall stock market risks may affect the value of your account. These risks include the financial risk of selecting securities that do not perform as anticipated, the risk that the stock markets in which we invest may experience periods of turbulence and instability, and the general risk that domestic and global economies may go through periods of decline and cyclical change. Many factors affect the performance of each company, including the strength of the company's management or the demand for its products or services. You should be aware that the value of a company's share price may decline because of poor decisions made by management or lower demand for the company's products or services. In addition, a company's share price may also decline if its earnings or revenues fall short of expectations. There are overall stock market risks that may also affect the value of your account. Over time, the stock markets tend to move in cycles, with periods when stock prices rise generally and periods when stock prices decline generally. The value of your

## Form ADV – Part 2A

investments may increase or decrease more than the stock markets in general. Common stocks, preferred securities, ADRs and warrants are examples of equity securities.

**Risks of Fixed Income Securities.** Fixed income securities fluctuate with changes in interest rates. Typically, a rise in interest rates causes a decline in the value of fixed income securities. In general, the market price of fixed income securities with longer maturities will increase or decrease more in response to changes in interest rates than the market price of shorter-term securities. Other risk factors include credit risk (the debtor may default) and prepayment risk (the debtor may pay its obligation early, reducing the amount of interest payments). These risks could affect the value of a particular investment, possibly causing both the funds and your account's total return to be reduced and fluctuate more than other types of investments. "Junk bonds" are speculative investments that carry greater risks and are more susceptible to real or perceived adverse economic and competitive industry conditions than higher quality debt securities. Government bonds, corporate bonds, and high yield bonds are examples of fixed income securities.

**Risks of Small and Medium Capitalization Companies.** Your account may have exposure to funds that invest in the stocks of small and medium capitalization companies, which may subject your account to additional risks. The earnings and prospects of these companies are more volatile than larger companies. Small and medium capitalization companies may have limited product lines and markets and may experience higher failure rates than larger companies.

**Emerging Markets Risk.** Emerging market issuers may be subject to a greater risk of loss than investments in issuers located or operating in more developed markets. Emerging markets may be more likely to experience inflation, political turmoil, and rapid changes in economic conditions than more developed markets. Emerging markets often have less uniformity in accounting and reporting requirements; less reliable securities valuations and greater risk associated with custody of securities than developed markets.

**Risks of Derivatives.** Underlying funds in which your account may be invested may use derivative instruments such as put and call options on stocks and stock indices, and index futures contracts and options thereon. There is no guarantee such strategies will work. If the underlying fund is not successful in employing such instruments in managing its portfolio, your account's performance will be worse than if it did not invest in underlying funds employing such strategies. Successful use by an underlying fund of options on stock indices, index futures contracts (and options thereon) will be subject to its ability to correctly predict movements in the direction of the securities generally or of a particular market segment. In addition, the underlying funds will pay commissions and other costs in connection with such investments, which may increase your investment expenses and reduce the return. In using certain derivatives, an underlying fund's losses are potentially unlimited. Derivative instruments may also involve the risk that other parties to the derivative contract may fail to meet their obligations, which could cause losses.

**Cash and Cash Equivalents Risk:** Cash and cash equivalents are a material component of a client's investment allocation. As a result, at any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), we may maintain cash or cash equivalent positions for defensive, liquidity, or other purposes. All cash and cash equivalent positions (money markets, etc.) shall be included as part of assets under management for purposes of calculating the client's advisory fee, unless otherwise agreed, in writing. Clients are advised that, at any given time, our advisory fee may exceed the yield earned on cash and cash equivalent holdings.

## Form ADV – Part 2A

### Material Risks Associated with Types of Securities

**Mutual Fund and Exchange Traded Fund Risk.** Investment strategies on the Union platform are implemented through mutual funds and exchange traded funds, including our Potomac 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. When available, 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. Potomac generally seeks to invest in mutual fund share classes that it believes are appropriate for the program and platform through which the strategy is implemented. There is no guarantee that we will always be invested in the fund share class with the lowest overall cost. For example, the Class R Shares used in managing SDBAs are not the least expensive share class. Third-Party Sponsored Advisory Programs may impose limitations on the securities and share classes that Potomac may select in implementing its strategies and creating model portfolios. In those cases, Potomac may select a more expensive share class in managing its strategy or creating its model portfolio, and the sponsor remains responsible for disclosing its practices to the investor.

**Leveraged ETF Risks.** Each of the Potomac Funds may purchase leveraged ETFs. The Potomac Funds may be used in managing your account. The net asset value and market price of leveraged ETFs are usually more volatile than the value of the tracked index or of other ETFs that do not use leverage. Leveraged ETFs use investment techniques and financial instruments that may be considered aggressive, including the use of derivative transactions. Most leveraged ETFs are designed to achieve their stated objectives on a daily basis. Their performance over long periods of time can differ significantly from the performance of the underlying index during the same period of time. This effect can be magnified in volatile markets.

**Inverse ETF Risks.** Each of the Potomac Funds may purchase inverse ETFs. The Potomac Funds may be used in managing your account. Inverse ETFs seek investment results that are the opposite of the daily performance of an underlying index or basket of stocks. Investors will lose money when the Index rises — a result that is the opposite of traditional funds.

**Sector Risk.** Sector risk is the possibility that stocks within the same group of industries will decline in price due to sector-specific markets or economic developments. If Potomac invests a significant portion of your assets, directly or indirectly, in ETFs in a particular sector, your account will be subject to the risk that companies in the same sector are likely to react similarly to legislative or regulatory changes, adverse market conditions and/or increased competition affecting that market segment. The sectors in which Potomac may be overweight will vary.

**Commodity Risks.** Any commodity purchase represents a transaction in a non-income-producing asset and is highly speculative. Commodities have risk in that they are affected by global supply and demand; domestic and foreign interest rates; political, economic, financial events, or natural disasters; regulatory and exchange position limits; and concentration within a commodity.

### Potomac’s Process for Non-Potomac Strategies and SMA Strategies in Union Platform

For non-Potomac strategies and SMA strategies, Potomac conducts initial and ongoing due diligence following our “Firm CPR” process. In some cases, Potomac will accept the Non-Potomac Strategist standardized Due Diligence packet.

The due diligence focuses on the firm structure, communication, program design, and returns of each Strategist. Potomac uses specific qualitative and quantitative screening criteria to identify appropriate Strategists for the Union Platform. The

## **Form ADV – Part 2A**

quantitative review focuses on the performance and track record of the Strategist as compared against benchmarks. The qualitative analysis reviews information surrounding the operations of the Strategists, including history, experience, firm size and structure, investment analysis and decision-making process, and portfolio risk review. Qualitative screening includes a review of each Strategist's organizational history and stability, including depth/experience of investment team and research group, investment process and strategy, internal resource allocation, legitimacy of track record, experience with taxable clients, client servicing capabilities, and other characteristics. The inclusion of a Strategist in the Union Platform should not be viewed as a recommendation by Potomac of the Strategist and for external clients, it remains the external client and their Client Advisor Representative's determination of whether to select any Strategist.

Each Strategist is reviewed and analyzed, in detail, by Potomac's Investment Committee. On at least an annual basis, the Investment Committee will review the performance of each Strategist Model along with any organizational changes that may have occurred during the year.

If your Client Advisor Representative determines a Strategist Model is appropriate based on your investment needs, you should consult the Client Advisor's Form ADV Part 2A for a description of their methodology for determining investment needs and risk tolerance.

Non-Potomac Strategists are not provided with your individual information or investment goals and objectives and do not have an advisory relationship with you. Questions regarding the management of your model portfolios or your account should be directed to your Client Advisor Representative.

### **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 enters into written agreements with certain individuals and entities who introduce external clients to Potomac. As noted above, we refer to these individuals as Client Advisor Representatives and the financial firms that employ or are associated with them as Client Advisors. Client Advisor Representatives are compensated for referrals by receiving a portion of the fee paid by clients to Potomac in accordance with a written agreement. Such an agreement requires the Client Advisor or Client Advisor Representative to (1) provide the client with a copy of the Client Advisor's Form ADV Part 2 and 3 or a written disclosure document that contains substantially all the information contained in Form ADV Part 2 and 3, prior to or at the time of entering into any advisory contract and (2) provide the client with a copy of Potomac's Form ADV Part 2 and Part 3. Certain Client Advisor Representatives may be invited to attend seminars and meetings hosted by Potomac in which we may bear the full costs associated with Client Advisor Representative's attendance at these meetings. The purpose of these meetings will be to provide general market and industry information as well as information about Potomac's advisory services.

Potomac Fund Management serves as the investment adviser to the Potomac Funds. These funds are a series of PFS Funds Trust, an open-end investment management company. Potomac is entitled to receive a management fee. Under a administrative services and services agreement with the Potomac Funds, Potomac also receives additional fees, which vary by share class and from year to year. See Item 5 under the headings "The Strategy Fee" and "Self-Directed Brokerage Accounts (SDBA) Fees" for more information about the specific fees for each share class. For additional information about the Potomac Funds, please see the funds' Prospectus and Statement of Additional Information.

## Form ADV – Part 2A

### **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 Rule 204A-1 under the Investment Advisers Act of 1940. 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, and 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 markets, other non-affiliated 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 nor insignificant to the extent that the Adviser may make trades in anticipation of the market activity which may follow an advisory recommendation.
- 3) And Potomac makes every attempt to affect 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 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 an account custodian to a Union client or Client Advisor Representative, but the client remains responsible for the selection and account application. Custodians 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 affecting transactions. Potomac typically will execute transactions through an account's custodian, subject to its obligation to seek best execution.

Research services are usually not factors in selecting Union account custodians or broker/dealers. Commissions are customary, although Potomac does not receive any portion of the said commission, and there is no additional research fee.

Certain conflicts of interest arise based on Potomac's Strategist Program and its participation in Third-Party Sponsored Advisory Programs. These are discussed in greater detail in Item 14.

#### **Research and Additional Benefits (Soft Dollars)**

Potomac uses soft dollars to pay for research, research-related products and brokerage services. Potomac's soft dollar policy is to make a good faith determination of the value of the research product or services in relation to the commissions paid. Potomac maintains soft dollar arrangements for those research products and services which assist Potomac in its investment decision-making process. In the event Potomac obtains any mixed-use products or services on a soft dollar basis, Potomac will make a reasonable allocation of the cost between that portion which is eligible as research or brokerage services and that portion which does not qualify. The portion eligible as research or other brokerage services is paid for with discretionary client commissions and the non-eligible portion, e.g., computer hardware, accounting systems, etc., which is not eligible for the Section 28(e) safe harbor is paid for directly by Potomac. For any mixed-use products or

## Form ADV – Part 2A

services, Potomac maintains records of its good faith determinations of its reasonable allocations. Potomac periodically reviews the firm's soft dollar arrangements, budget allocations, and monitors the firm's policy.

Potomac only uses soft dollars to pay for services that can unquestionably be identified as being of value in our investment decision-making process. Potomac does not use soft dollars to pay for equipment, magazine, and newspaper subscriptions, etc. The soft dollars received by Potomac are used for research directly related to our mutual funds; therefore, the benefits are of service to all clients in our strategies and mutual funds alike, even though certain clients may be restricted from paying for soft dollars.

Potomac could have an incentive to select a broker-dealer based on its interest in receiving the research or other products or services, rather than in the clients' interest in receiving the least costly execution. This conflict may cause clients to pay commissions to brokers that are higher than the commissions another broker would have charged for the same transaction if Potomac makes a good faith determination that the commission is reasonable in relation to the value of brokerage and research services provided. If Potomac uses its best efforts to obtain the best combination of commission rate and execution price, Potomac may consider the fact that a broker/dealer has provided research, statistical information, credit analysis, data, or other services that are of value to our clients. Research services provided by broker/dealers that execute transactions for a particular account may not necessarily be used specifically for that account and may be used to benefit all Potomac clients. The number of soft dollar arrangements that we have is limited.

Although not a material consideration when determining whether to recommend that a client use the services of a particular broker/dealer, custodian, product sponsor, investment strategist, 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, 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 or other diligence and educational events), 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 affected and/or assets maintained at Fidelity or Schwab 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 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 an arrangement may create.**

### Aggregation of Orders

Potomac may, but is not required to, block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any block. Block trading

## **Form ADV – Part 2A**

may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Potomac can only aggregate trades among clients whose accounts are maintained at the same custodian. The timing that Potomac trades at different custodians is intended to be done on a fair and equitable basis.

Accounts for Potomac employees and their family members will be included in a block trade with client accounts.

### **Model Portfolio Trading Timing**

Potomac attempts to communicate information regarding model portfolios or any updates thereto at or around the same time it trades its discretionary accounts. However, the timing of trading of model portfolios at sponsor firms may differ from the timing of the same or similar models within the Union Platform due to the speed of trades, the vehicles in which the models invest, trading and/or custodial arrangements, among other factors. It is possible that Potomac will act on such recommendations before sponsors who make execution decisions for the implementation of model portfolios commence trading based on Potomac's recommendations. As a result, the performance of accounts participating in Third-Party Sponsored Advisory Programs may not track the performance of accounts managed in the Union Platform.

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

Strategist portfolios are subject to initial and ongoing due diligence following our "Firm CPR" process. The due diligence will focus on the firm structure, communication, program design, and returns of each manager.

All securities held in various client accounts are reviewed daily 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 the Client Advisor Representative that introduced the client to Potomac), in writing, of any changes in their investment objectives and/or financial situation. All clients are encouraged to review investment objectives and account performance on an annual basis.

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**

#### **Economic Benefits Received by Potomac**

As described in Item 12, Potomac receives certain benefits from broker/dealers and other parties.

Potomac offers its investment strategies through the Union Platform and Third-Party Sponsored Advisory Programs. For the Union Platform, Potomac has an incentive to increase the amount of assets it manages at Fidelity, Schwab, and other custodians to potentially improve the level of service, research, and additional benefits it may receive that are described in Item 12 above. Similarly, for Third-Party Sponsored Advisory Programs, Potomac may also pay a broker/dealer a platform fee for access to its customers and platform that is based on the aggregate amount of assets managed by Potomac.

## **Form ADV – Part 2A**

Lastly, Potomac receives sponsorship from third parties when hosting marketing events, including diligence and educational events for financial advisors and its annual conference. Potomac addresses these conflicts of interest by disclosing them to clients and by attempting not to let any of them compromise its independent judgment when rendering investment advice.

A list of current sponsors, updated annually, is available by visiting: <https://potomac.com/conference-sponsorship/>.

### **Potomac's Compensation of Others**

Potomac enters into written agreements with individuals and entities who refer investors to Potomac. We refer to these individuals as Client Advisor Representatives and we refer to the financial firms that employ or are associated with them as Client Advisors. Client Advisor Representatives are compensated for referrals by receiving a portion of the fee paid by clients to Potomac in accordance with a written agreement.

Potomac may also reimburse a Client Advisor Representative for expenses incurred by such representative when marketing Potomac's investment advisory services.

From time to time, Potomac will sponsor educational conferences for financial advisors designed to ensure that such financial advisors are familiar with Potomac's advisory services, among other things. Potomac's sponsorship may include benefits such as meals, lodging, and costs associated with continuing education credits.

Additionally, in some instances, Potomac will reimburse financial advisors for their costs in hosting educational, training, and sales support events. Such payments can create an economic incentive for these financial advisors and entities to promote Potomac's products and services over another adviser's products and services and could be an important factor in these financial advisors and entities' willingness to recommend Potomac's products and services in general. Potomac has adopted policies and procedures to ensure that sales support payments are reasonable, and preferential treatment is not given to Potomac over other advisors based on these contributions.

### **Item 15 Custody**

Potomac is deemed to have 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 adviser 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 adviser or Potomac immediately.

### **Item 16 Investment Discretion**

In the Union Platform, Potomac has the authority to determine the securities bought or sold when managing a Potomac Strategy and Non-Potomac Strategy. 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. For SMA Strategies, the Strategist will maintain investment discretion.

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

Potomac, as a matter of policy and practice has no authority to vote proxies on behalf of its clients, except for the Potomac Funds. Potomac may help as to proxy matters upon a client's request, but the client always retains the proxy voting responsibility. Potomac's proxy voting policies and procedures relating to the Potomac Funds are available in each Funds' Statement of Additional Information.

## **Form ADV – Part 2A**

Clients may obtain a copy of Potomac’s proxy voting policies and procedures by contacting Potomac.

### **Item 18 Financial Information**

Potomac does not solicit fees of more than \$1,200 per client, more than six months in advance. We do not have 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 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.**



## Exhibit A – Investment Strategies

### Tactical Asset Allocation Strategies

#### Bull Bear:

Bull Bear is a tactical 'moderate growth' strategy with the goal of systematically pursuing growth in the equity markets, while avoiding catastrophic bear market losses.

The strategy allocates using a suite of affiliated tactical mutual funds. Bull Bear will hold a core position that will focus on providing tactical concentrated exposure to a major market index. The remainder will be allocated among a diverse group of tactical funds.

The underlying funds utilize a combination of dynamic asset allocation and mechanical system trading. Additionally, they employ risk management techniques including the use of hedging, treasuries, and cash positions during adverse market conditions; cash positions could at times be 100%.

#### Income Plus:

Income Plus is a tactical 'total return' strategy with the goal of providing stable and absolute returns, under all market conditions.

The strategy allocates using a suite of affiliated tactical mutual funds. Income Plus will hold a core position that will focus on absolute return and low daily volatility. The remainder will be allocated among a diverse group of tactical funds.

The underlying funds utilize a combination of dynamic asset allocation and mechanical system trading. Additionally, they employ risk management techniques including the use of hedging, treasuries, and cash positions during adverse market conditions; cash positions could at times be 100%.

#### Guardian:

Guardian is a tactical growth strategy with the goal of conservatively participating in equity markets, while avoiding catastrophic bear market losses.

The strategy allocates using a suite of affiliated tactical mutual funds. Guardian will hold a core position that will focus on diversified and defensive equity exposure. The remainder will be allocated among a diverse group of tactical funds.

The underlying funds utilize a combination of dynamic asset allocation and mechanical system trading. Additionally, they employ risk management techniques including the use of hedging, treasuries, and cash positions during adverse market conditions; cash positions could at times be 100%.

## Form ADV – Part 2A

### **Navigrowth:**

Navigrowth is a tactical 'moderate growth' strategy with the goal of pursuing growth, primarily in the equity markets, while avoiding catastrophic bear market losses.

The strategy allocates using a suite of affiliated tactical mutual funds. Navigrowth will hold a core position that will focus on opportunistic domestic and international growth. The remainder will be allocated among a diverse group of tactical funds.

The underlying funds utilize a combination of dynamic asset allocation and mechanical system trading. Additionally, they employ risk management techniques including the use of hedging, treasuries, and cash positions during adverse market conditions; cash positions could at times be 100%.

### **Focused Growth:**

Focused growth is a tactical 'moderate growth' strategy with the goal of systematically pursuing growth in the equity markets, while avoiding catastrophic bear market losses.

The strategy allocates using a suite of affiliated tactical mutual funds. Focused Growth will hold a core position that will focus on providing tactical exposure to a major market index. The remainder will be allocated among a diverse group of tactical funds.

The underlying funds utilize a combination of dynamic asset allocation and mechanical system trading. Additionally, they employ risk management techniques including the use of hedging, treasuries, and cash positions during adverse market conditions; cash positions could at times be 100%.

Potomac Fund Management



**Form ADV Part 2B**

**Brochure Supplement**

Manish Khatta

7373 Wisconsin Ave. Suite #750

Bethesda, MD 20814

Phone: 301-901-3466

**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 have not received 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, Chief Executive Officer, Co-Chief Investment Officer, and 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 CEO.

### **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, CEO of Potomac. Additionally, as CCO, Jeffrey Schropp is responsible for supervising all supervised persons and enforcing the Firm's Written Supervisory Procedures/Code of Ethics. Mr. Schropp may be reached at 301-901-3466.

Potomac Fund Management



POTOMAC

Form ADV Part 2B

Brochure Supplement

Jeffrey Goodnow

7373 Wisconsin Ave. Suite #750

Bethesda, MD 20814

Phone: 301-901-3466

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 have not received 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, Chief Growth Officer, 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. The investment committee is supervised by Manish Khatta, CEO of Potomac. Additionally, as CCO, Jeffrey Schropp is responsible for supervising all supervised persons and enforcing the Firm's Written Supervisory Procedures/Code of Ethics. Mr. Schropp may be reached at 301-901-3466.

Potomac Fund Management



Form ADV Part 2B

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Dan Russo, CMT®

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Bethesda, MD 20814

Phone: 301-901-3466

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## **Form ADV – Part 2B**

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

Dan Russo, Co-Chief Investment Officer, and Investment Advisor Representative was born September 30, 1977.

Mr. Russo holds a BS degree in Finance from the CW Post University and an MBA from Fordham University. He has been a full-time employee with Potomac since March 2021. Previously, Mr. Russo served as Chief Market Strategist at Chaikin Analytics.

Mr. Russo is a Chartered Market Technician® charterholder. The CMT® designation is awarded by the CMT® Association to individuals who demonstrate expertise in technical analysis of the financial markets. To earn the designation, candidates must pass three levels of examinations covering topics such as trend analysis, market indicators, chart patterns, behavioral finance, risk management, and portfolio strategies. Candidates must also have three years of approved work experience and complete an application for Member Status. To maintain status as a CMT® charterholder, an individual must be a member of the CMT® Association in good standing and abide by the CFA Institute's Code of Ethics and Standards of Professional Conduct.

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