

Uniform Application for Investment Adviser Registration

Part II - Page 1

Name of Investment Adviser: <b>Portfolio Strategies, Inc.</b>				
Address: (Number and Street)	(City)	(State)	(Zip Code)	Area Code: Telephone number:
<b>1724 West Union #200</b>	<b>Tacoma</b>	<b>WA</b>	<b>98405</b>	<b>(253) 383-1676</b>

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

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

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

1. **A. Advisory Services and Fees.** (check the applicable boxes)

For each type of service provided, state the approximate % of total advisory billings from that service. (See instructions below.)

Applicant:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**5. Education and Business Standards.**

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients? .....  Yes  No

(If yes, describe these standards on Schedule F.)

**6. Education and Business Background**

For:

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

On Schedule F, give the:

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

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

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

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

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

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

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

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

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

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

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

**9. Participation or Interest in Client Transactions.**

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

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

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

- 10. Conditions for Managing Accounts.** Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services and impose a minimum dollar value of assets or other conditions for starting or maintaining an account? . . . . .

Yes  No

(If yes, describe on Schedule F)

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

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

**The Chief Compliance Officer and/or his designee continuously review the underlying securities in each program. Specific client portfolios are reviewed upon request. All clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation, or if they would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. All clients are encouraged to review their investment objectives and account performance with the Registrant (or its designee) on an annual basis.**

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

**Each client receives a quarterly statement indicating account value, holdings and transactions from the qualified custodian.**

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

**12. Investment or Brokerage Discretion.**

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

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

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

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

**13. Additional Compensation.**

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

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

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

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

- has custody of client funds or securities; or
  - requires prepayment of more than \$500 in fees per client and 6 or more months in advance
- Has applicant provided a Schedule G balance sheet? ..... Yes  No

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

**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant: <b>Portfolio Strategies, Inc.</b>	SEC File Number: <b>801-18475</b>	Date: <b>06/2008</b>
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1 Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Portfolio Strategies, Inc.</b>	IRS Empl. Ident. No.: <b>91-1194836</b>
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Item of Form (identify)	Answer
Item 1D	<p>As discussed below in this disclosure statement, the Registrant provides its clients (individuals, pension and profit sharing plans, trusts, estates, charitable organizations and corporations) with discretionary investment management services. Registrant <b>does not</b> provide financial planning, estate planning, insurance planning, or investment or non-investment related consulting services.</p> <p><b>INVESTMENT MANAGEMENT</b></p> <p>In the event the client determines to engage the Registrant to provide investment management services, Registrant shall do so on a <i>fee only</i> basis. Registrant shall generally allocate the investment management assets of its clients, on an active discretionary basis, among various mutual funds and/or investment subdivisions of variable investment products, in accordance with Registrant’s proprietary asset management programs, whereby Registrant shall exchange and/or transfer funds owned by the client among different asset categories within the same (or different) fund family(ies), in accordance with the investment objective(s) of the client.</p> <p>Registrant manages investment advisory accounts not involving Investment Supervisory Services. Each investment program managed by the Registrant has been devised to meet a particular investment strategy applicable to an individual client’s investment objective(s). Each investment program is continuously managed based on the program’s strategy, rather than based upon on each client's individual needs. However, each client will have the opportunity to place reasonable restrictions on the types of investments to be held in his/her/its account.</p> <p>Registrant offers investment programs using the following model portfolios: Income Plus Program, Index Plus Program, Core Class Leaders Program, Tactical Advantage Program, Tactical Growth Program, Alpha Program, Alpha Plus Program, All Seasons Program, Dynamix Program, Quantitative Balanced Program, Quantitative Growth Program, Institutional Advantage Programs, International Equity Program, Multi-Edge Program, Multi-Guard Program, Opportunity Plus Program and the Guardian Portfolios (which contain a preset combination of PSI programs) each of which programs is more comprehensively discussed in the Registrant’s program brochures which are provided to all prospective clients. Some program strategies are also available within specific variable annuities and 401 K programs obtained through various insurance companies and custodians. Due to trading restrictions and fund limitations imposed by certain custodians, some programs may be substantially modified to meet these more stringent requirements, which may affect performance results. The modifications are solely a function of the custodian designated by the client, of which the client is made aware prior to participating in a particular program. These affected strategies are identified by the "II" following their name (Index Plus II and Guardian II).</p> <p>Registrant’s investment programs do not follow a buy-and-hold strategy but trade in-and-out of positions on a frequent basis (which could be two to three times a week). The strategies used by Registrant can incorporate the purchase of inverse index mutual funds and other mutual funds that invest in leveraged instruments, such as futures contracts and options on securities, both on a long and short basis. Because of this leverage, the value of an individual program may fluctuate substantially from day to day. However, Registrant's goal in the use of these funds is to mitigate market exposure, thereby attempting to decrease overall program downside risk.</p> <p>The Registrant also provides advisory services to the sponsors of “participant-directed” retirement plans established by the sponsors pursuant to Section 404(c) of ERISA. Section 404(c) permits a Plan participant to exercise control over the assets contained in his/her individual retirement account. Registrant provides the Plan sponsors with advice relative to the investment alternatives available for Plan participants to choose from. Among the investment alternatives that each plan sponsor may designate for their participants to choose from may include the above-referenced investment programs and/or unaffiliated mutual funds. In addition, if requested by the sponsor, the Registrant shall provide Plan participants with general impersonal informational seminars and/or materials which describe or explain the various investment options available to them under the Plan. Relative to the mutual fund investment management services that Portfolio Strategies (the Registrant) may provide to sponsors of retirement plans and/or its participants, the retirement plan platform provider, its related custodian, and other affiliates may receive 12b-1, shareholder service and/or administrative fees directly from the</p>

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

mutual fund sponsors that comprise the retirement portfolios. Portfolio Strategies (the Registrant) is not a party to any such arrangements and will not receive any portion of any such fees.

Inherent in the Net Asset Value of each mutual fund used within the PSI programs are fees charged by the mutual fund including general and administrative fees, marketing fees (also known as 12b-1 fees), and commission costs paid for executing transactions for the fund. PSI programs primarily use the Rydex and Profunds family of funds for their investments. The general, administrative and marketing fees of Rydex and Profunds mutual funds generally range from 1.5% to 2.5% of net assets in each fund. The costs are detailed in each mutual fund's prospectus as required by the Securities and Exchange Commission (SEC). Additional costs of commissions incurred by the mutual funds to buy and sell the underlying securities are explained in the Statement of Additional Information (SAI) such as Form N-1A as filed with the SEC. Please read the prospectus and SAI for each fund for a listing and description of these fees.

Registrant generally allocates the investment management assets of its client accounts, on a discretionary basis, among one or more of its proprietary asset management programs. The securities that comprise the underlying programs are primarily mutual funds and exchange traded funds. Registrant's proprietary programs have been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides similarly managed investment programs, with a non-exclusive safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the following disclosure is specifically applicable to Registrant's management of client assets:

1. **Initial Interview** – at the opening of the account, the Registrant, through its designated representatives, shall obtain from the client information sufficient to determine the client's financial situation and investment objectives;
2. **Individual Treatment** – the client's account is managed on the basis of the client's financial situation and investment objectives;
3. **Quarterly Notice** – at least quarterly the Registrant shall notify the client to advise the Registrant whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of his/her/its account;
4. **Annual Contact** – at least annually, the Registrant shall contact the client to determine whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of his/her/its account.
5. **Consultation Available** – the Registrant shall be reasonably available to consult with the client relative to the status of the client's account;
6. **Quarterly Statement** – the client shall be provided with a quarterly report for the account for the preceding period;
7. **Ability to Impose Restrictions** – the client shall have the ability to impose reasonable restrictions on the management of the account, including the ability to instruct the Registrant not to purchase certain mutual funds;
8. **No Pooling** – the client's beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the client's account;
9. **Separate Account** - a separate account is maintained for the client with the Custodian; and
10. **Ownership** – each client retains indicia of ownership of the account (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

Registrant's investment programs may involve above-average portfolio turnover which could negatively impact upon the net after-tax gain experienced by an individual client in a taxable account.

The Registrant shall charge an annual investment management fee based upon a percentage of the market value of the assets being managed by Registrant. The investment management fee charged shall vary (generally between 0.40% and 2.96%) depending upon the market value of assets under management, and the investment program selected.

Registrant's annual investment management fee shall be pro-rated and paid quarterly, in advance, based upon the market value of the assets on the last day of the previous quarter. Registrant, in its sole discretion, may charge a lesser management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, historical relationship, related accounts, account composition, negotiations with client, accounts referred to adviser by another professional, etc.).

Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets. The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Registrant's investment management fee shall be prorated through the date of termination, and any refund that may be due shall be promptly forwarded to the client.

All investment management accounts will be maintained at an independent custodian, or at the specific mutual fund or insurance company that issued the mutual fund or variable life/annuity product. In addition to the *Investment Advisory Agreement*, the client may be required to execute a separate agreement with the specific custodian, mutual fund, and/or insurance company. Both Registrant's *Investment Advisory Agreement* and custodial agreement may authorize the designated custodian to debit the account for the amount of the Registrant's management fee and to directly remit that management fee to the Registrant in accordance with required SEC procedures.

Factors which the Registrant considers in recommending a broker-dealer and/or custodian to clients include financial strength, reputation, execution, pricing, research, historical relationship and service. Certain broker-dealers/custodians enable Registrant to obtain many no-load mutual funds without transaction charges and other no-load and load waived funds at nominal transaction charges. The brokerage commissions and/or transaction fees charged by the broker-dealers/custodians for client accounts are exclusive of, and in addition to, Registrant's investment advisory fee. Although the commissions and/or transaction fees that may be paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions and/or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment advisory fee. In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, the client will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

Certain investment opportunities that become available to Registrant's clients may be limited. For example, various mutual funds may, from time to time, limit the number of shares available for purchase by mutual fund asset allocators, such as the Registrant. In order to meet its fiduciary duties to all of its clients, the Registrant will endeavor to allocate investment opportunities among all clients on a fair and equitable basis. However, except as otherwise provided by federal or state securities laws, Registrant shall not be liable for an adverse decision by a mutual fund or insurance company to unilaterally restrict and/or prohibit asset allocation activities such as those of the Registrant.

Registrant obtains research and/or investment signals, which are material to certain of its asset allocation programs, from other investment professionals, including registered investment advisers. Regardless of any research and/or investment signals that may be obtained, the Registrant shall be the final determiner as to whether to follow any such research and/or signal for its investment programs. No such investment professional or investment adviser is a *related person* of the Registrant. At all times, all such investment professionals act in the capacity as independent consultants to the Registrant.

The Registrant also serves as the sub-investment manager to the PSI Total Return Fund, the PSI Core Strength Fund and the PSI Macro Trends Fund (the "*Funds*"), investment companies (mutual funds) sponsored by The Direxion Funds. A complete description of the *Funds*, their strategies, objectives, and costs is set forth in the *Fund* prospectus, a copy of which is available from the Registrant upon request. As sub-investment manager to the *Funds*, Registrant shall have discretionary authority for the management of *Fund* assets. Pursuant to the terms of the *Investment Advisory Agreement* between the Registrant and the client, the Registrant shall have discretion to place client assets in various investments, including the *Funds*. However, the client shall not pay a "dual" fee to the Registrant (i.e., an investment management fee to the Registrant pursuant to the terms of the *Investment Advisory Agreement* between the Registrant and the client and a mutual fund investment management fee paid by the *Funds* to the Registrant which is based on the client's assets invested in the *Funds*). Rather, the *Funds* will pay the Registrant an annual subadvisory fee of .75% of assets under management. The Registrant

will in turn credit each *Fund* shareholder's proportionate share of the fees that it receives from the *Funds* against the management fee charged by Registrant to its clients. Clients will receive the fee offset only during times when their assets are actually invested in the *Funds*. At other times, the full management fee will be assessed.

**MISCELLANEOUS**

In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. The client is free to accept or reject any recommendation made by the Registrant. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

Registrant's clients are advised to promptly notify the Registrant if there are ever any changes in their financial situation or investment objectives, or if they wish to impose any reasonable restrictions upon Registrant's management services.

Neither the Registrant nor the client may assign the *Investment Advisory Agreement* without the prior written consent of the other party. Transactions that do not result in a change of actual control or management of the Registrant shall not be considered an assignment.

A copy of Registrant's written disclosure statement as set forth on Part II of Form ADV shall be provided to each client prior to or contemporaneously with the execution of the *Investment Advisory Agreement*. Any client who has not received a copy of Registrant's written disclosure statement at least forty-eight (48) hours prior to executing the *Investment Advisory Agreement* shall have five (5) business days subsequent to executing the agreement to terminate the Registrant's services without penalty.

Item 5 All individuals that give investment advice on behalf of the Registrant must have earned a college degree and/or have substantive investment-related experience. In addition, all such individuals shall have attained all required investment-related licenses and/or designations.

Item 6 **WILLIAM A. WHATMOUGH**  
Born: 1942  
B.S. in Mathematics from Hillsdale College, 1964.  
1995-Present: Portfolio Strategies Inc., Tacoma, WA; Portfolio Manager  
2006-Present: Focus Investments, Inc., Tacoma, WA; Portfolio Manager

**EMANUEL SCHROETER**  
Born: 1966  
B.S. in Business Administration/Finance from California State University, Northridge, 1991.  
MBA from University of California, Los Angeles (UCLA), 1997.  
1997-Present: Portfolio Strategies Inc., Tacoma, WA; CCO  
2006-Present: Focus Investments, Inc., Tacoma, WA; COO

**F. LESLIE CATHERSAL**  
Born: 1938  
B.A. in Business Administration from Seattle University, 1964.  
1997-Present: Portfolio Strategies Inc., Tacoma, WA; President  
2006-Present: Focus Investments, Inc., Tacoma, WA; President

**JOHN D. WILLIAMSON**  
Born: 1967  
B.S. in Business Administration from Oral Roberts University, 1990.  
1995-2000 Linsco Private Ledger; Registered Representative  
2000-Present: Portfolio Strategies Inc., Tacoma, WA; Director of Marketing  
2006-Present: Focus Investments, Inc., Tacoma, WA; Officer

**DAVID JAJEWSKI**  
Born: 1960  
B.A in Economics from Ripon College, 1983.  
2006-Present: Centaurus Financial; Registered Representative

	<p>2001-Present: Portfolio Strategies Inc., Tacoma, WA; Director of Variable Products Division</p> <p>2006-Present: Focus Investments, Inc., Tacoma, WA; Officer</p> <p><b>BILL SHERMAN</b>  Born: 1948  B.S. in Mechanical Engineering from Washington University, 1969.  1988-2001: Self-employed; Software and Investment Consultant  2001-2002: Julian Equity Advisors, St. Louis, MO; President  2002-Present: Portfolio Strategies Inc., Tacoma, WA; Portfolio Manager</p>
Item 8D	<p>Registrant's Principals, David Jajewski and John Williamson, are also owners of Rainier Investment Management Company LLC, the general partner of Rainier Absolute Return Fund limited partnership. This entity and all its business is entirely separate and distinct from Registrant and is not material to Registrant's operations.</p>
Item 9B	<p>In the event that the client desires, the client can engage one of the Registrant's Principals, David Jajewski or John Williamson, in their respective individual capacities, as registered representatives of Centaurus Financial Incorporated and EDI Financial Incorporated, respectively, both SEC-registered and NASD member broker-dealers, to implement investment recommendations on a fully-disclosed commission basis. In the event the client chooses to purchase investment products through these broker-dealers, brokerage commissions will be charged by the broker-dealers to effect securities transactions, a portion of which commissions shall be paid by the broker-dealer to the applicable respective Registrant Principal. The brokerage commissions charged by the broker-dealers may be higher or lower than those charged by other broker-dealers. The commission brokerage activities of Registrant's Principals is very limited, and is not material to the Registrant's investment advisory operations. The above is provided for full disclosure purposes.</p>
Item 9D	<p>As indicated at Item 1D of this Schedule F, the Registrant serves as the sub-investment manager to the PSI Total Return Fund, the PSI Core Strength Fund and the PSI Macro Trends Fund (the "<i>Funds</i>"), investment companies (mutual funds) sponsored by The Direxion Funds. A complete description of the <i>Funds</i>, their strategies, objectives, and costs is set forth in the <i>Fund</i> prospectus, a copy of which is available from the Registrant upon request. As sub-investment manager to the <i>Funds</i>, Registrant shall have discretionary authority for the management of <i>Fund</i> assets. Pursuant to the terms of the <i>Investment Advisory Agreement</i> between the Registrant and the client, the Registrant shall have discretion to place client assets in various investments, including the <i>Funds</i>. However, the client shall not pay a "dual" fee to the Registrant (i.e., an investment management fee to the Registrant pursuant to the terms of the <i>Investment Advisory Agreement</i> between the Registrant and the client and a mutual fund investment management fee paid by the <i>Funds</i> to the Registrant which is based on the client's assets invested in the <i>Funds</i>). Rather, the <i>Funds</i> will pay the Registrant an annual subadvisory fee of .75% of assets under management. The Registrant will in turn credit each <i>Fund</i> shareholder's proportionate share of the fees that it receives from the <i>Funds</i> against the management fee charged by Registrant to Index Plus Strategy clients. Clients will receive the fee offset only during times when their assets are actually invested in the <i>Funds</i>. At other times, the full management fee will be assessed.</p>
Item 9E	<p>The Registrant has implemented an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics which serves to establish a standard of business conduct for all of Registrant's Associated Persons that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.</p> <p>In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.</p>
Item 10	<p>Please see the response set forth on this Schedule F to Item 1D relating to Registrant's conditions for managing accounts.</p>
Items 12A and 12B	<p>Please see the previous responses set forth on this Schedule F to Item 1D and 13A. In addition, in seeking best execution through a broker-dealer and/or custodian, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration, the full range of broker-dealer services, including historical relationship, reputation, financial strength, the value of research provided, execution capability, commission rates, and responsiveness.</p>

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

**Execution of Brokerage Transactions (when applicable).** If requested, Registrant will arrange for the execution of securities brokerage transactions for the account through broker-dealers that Registrant reasonably believes will provide “best execution”. In seeking best execution, the determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer’s services including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive commission rates, it may not necessarily obtain the lowest possible commission rates for account transactions.

Consistent with obtaining best execution, transactions for a client’s account may be effected through broker-dealers in return for research products and/or services which assist Registrant in its investment decision making process. Such research generally will be used to service all of Registrant’s clients (including accounts that may not generate commissions used to pay for investment research), but brokerage commissions paid by client may be used to pay for research that is not used in managing the client’s account. The account may pay to a broker-dealer a commission greater than another qualified broker-dealer might charge to effect the same transaction where Registrant determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received.

Transactions for each client account generally will be effected independently, unless Registrant decides to purchase or sell the same securities for several clients at approximately the same time. Registrant may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Registrant’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among Registrant’s clients in proportion to the purchase and sale orders placed for each client account on any given day. To the extent that the Registrant determines to aggregate client orders for the purchase or sale of securities, including securities in which Registrant’s principal(s) and/or associated person(s) may invest, the Registrant shall generally do so in accordance with the parameters set forth in SEC No-Action Letter, *SMC Capital, Inc.* The Registrant shall not receive any additional compensation or remuneration as a result of the aggregation.

The client may direct Registrant to use a particular broker-dealer (subject to the Registrant’s right to decline and/or terminate the engagement) to execute some or all transactions for the client’s account. In such event, the client will negotiate terms and arrangements for the account with that broker-dealer, and the Registrant will not seek better execution services or prices from other broker-dealers or be able to “batch” the client’s transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. In the event that transactions for client accounts are effected through a broker-dealer that refers investment management clients to the Registrant, the potential for conflict of interest may arise.

**Proxy Voting Policy.** The Registrant does not vote client proxies. Therefore, although the Registrant may provide investment advisory services relative to client investment assets, the Registrant’s clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client’s investment assets. The Registrant and/or the client shall correspondingly instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client’s investment assets.

**Initial Public Offering (IPO) Policy.** On occasion, Registrant, through its clearing/custodial firm relationships, may have limited access to IPO shares. Except with respect to the limited exception noted below, Registrant does not purchase and/or recommend for purchase IPOs for its individual client accounts. The exception to the above policy is for those individual clients of Registrant who, on a completely unsolicited basis, contact the Registrant to request that Registrant purchase a specific IPO for his/her/their/its account, to the extent same has been made available to Registrant. In the event of any such unsolicited request(s), Registrant, after first determining that the client(s) is *qualified* for such specific IPO (i.e., suitable for the client(s) relative to the client’s(s’) investment objective(s), financial situation(s) and current asset allocation(s)), *may* (to the extent possible under the circumstances) purchase such IPO on a pro-rata basis with other unsolicited client requests. To the extent possible and applicable under the circumstances, Registrant will allocate unsolicited individual client IPO share purchases among *qualified* individual clients on a rotational basis or some other fair and equitable basis.

Item 13A	Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant <i>may</i> receive from certain broker-dealers/custodians, without cost (and/or at a discount), support services and/or products, which assist Registrant to better monitor and service
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Complete amended pages in full, circle amended items and file with execution page (page 1).

	client accounts maintained at a particular broker dealer/custodian.
Item 13B	<p>If a client is introduced to the Registrant by either an unaffiliated or an affiliated solicitor, Registrant may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Registrant's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to the Registrant by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of the Registrant's written disclosure statement as same is set forth on Part II of Form ADV, including this Schedule F, together with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between the Registrant and the solicitor, including the compensation to be received by the solicitor from the Registrant. Any affiliated solicitor of the Registrant shall disclose the nature of his/her relationship to prospective clients at the time of the solicitation.</p>