

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

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Name of Investment Adviser:

Financial Advantage, Inc.

Address: (Number and Street)

(City)

(State)

(Zip Code)

Area Code: Telephone Number:

5959 Symphony Woods Road**Columbia****MD****21044****(410) 715-9200**

**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.**

Applicant:

Financial Advantage, Inc.

SEC File Number:

801-31624

Date:

2/03/2009

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. **Estimate**
(See instruction below.)

Applicant:

- | | | |
|------------------------------|---|------------------|
| <input type="checkbox"/> (1) | Provides investment supervisory services | <u>73%</u> |
| <input type="checkbox"/> (2) | Manages investment advisory accounts not involving investment supervisory services | <u> % </u> |
| <input type="checkbox"/> (3) | Furnishes investment advice through consultations not included in either service described above | <u>2%</u> |
| <input type="checkbox"/> (4) | Issues periodicals about securities by subscription | <u> % </u> |
| <input type="checkbox"/> (5) | Issues special reports about securities not included in any service described above | <u> % </u> |
| <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 | <u> % </u> |
| <input type="checkbox"/> (7) | On more than an occasional basis, furnishes advice to clients on matters not involving securities | <u>25%</u> |
| <input type="checkbox"/> (8) | Provides a timing service | <u> % </u> |
| <input type="checkbox"/> (9) | Furnishes advice about securities in any manner not described above | <u> % </u> |

(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 checked="" type="checkbox"/> (2) Hourly charges | <input type="checkbox"/> (5) Commissions |
| <input checked="" 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 type="checkbox"/> F. Corporations or business entities other than those listed above |
| <input type="checkbox"/> C. Investment companies | <input type="checkbox"/> G. Other (describe on Schedule F) |
| <input type="checkbox"/> D. Pension and profit sharing plans | |

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

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

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

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

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

FORM ADV**Part II - Page 4**

Applicant:

Financial Advantage, Inc.

SEC File Number:

801-31624

Date:

2/03/2009**5. Education and Business Standards.**

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients?

Yes No
☒ ☐

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

6. Education and Business Background.

For:

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

On Schedule F, give the:

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

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

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

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

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

- ☐ A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- ☐ B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:
- | | |
|--|--|
| <input type="checkbox"/> (1) broker-dealer | <input type="checkbox"/> (7) accounting firm |
| <input type="checkbox"/> (2) investment company | <input type="checkbox"/> (8) law firm |
| <input type="checkbox"/> (3) other investment adviser | <input type="checkbox"/> (9) insurance company or agency |
| <input type="checkbox"/> (4) financial planning firm | <input type="checkbox"/> (10) pension consultant |
| <input type="checkbox"/> (5) commodity pool operator, commodity trading adviser or futures commission merchant | <input type="checkbox"/> (11) real estate broker or dealer |
| <input type="checkbox"/> (6) banking or thrift institution | <input type="checkbox"/> (12) entity that creates or packages limited partnerships |

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

- D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest?.....

Yes No
☐ ☒

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

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

FORM ADV**Part II - Page 5**

Applicant:

Financial Advantage, Inc.

SEC File Number:

801- **31624**

Date:

2/03/2009**9. Participation or Interest in Client Transactions.**

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

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

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

Describe, on Schedule F, your code of ethics, and state that you will provide a copy of your code of ethics to any client or prospective client upon request.

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

Yes No
☒ ☐

(If yes, describe on Schedule F.)

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

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

Please refer to Schedule F, Item 11.A.

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

Please refer to Schedule F, Item 11.B.**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**

Applicant:

Financial Advantage, Inc.

SEC File Number:

801-31624

Date:

2/03/2009

12. Investment or Brokerage Discretion.

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

(1) securities to be bought or sold?

Yes No

☒ ☐

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

Yes No

☒ ☐

(3) broker or dealer to be used ?

Yes No

☐ ☒

(4) commission rates paid?

Yes No

☐ ☒

B. Does applicant or a related person suggest brokers to clients?

Yes No

☒ ☐

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

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

13. Additional Compensation.

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

A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients?

Yes No

☒ ☐

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

Yes No

☐ ☒

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

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

- has custody of client funds or securities unless applicant is registered or registering only with the Securities and Exchange Commission; or
- requires prepayment of more than \$500 in fees per client and 6 or more months in advance

Has applicant provided a Schedule G balance sheet?

Yes No

☐ ☒

**Schedule F of
Form ADV**

Continuation Sheet for Form ADV Part II

Applicant:	SEC File Number:	Date:
Financial Advantage, Inc.	801-31624	2-03-2009

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:

IRS Empl. Ident.No.:

Available Upon Request

Item of Form (identify)	Answer								
Item 1.D.	<p><u>ADVISORY SERVICES AND FEES</u></p> <p>Financial Advantage Inc. (hereinafter "FAI" or the "Firm") is a corporation formed under the laws of Maryland. This Schedule F narrative provides Clients with information regarding FAI and the qualifications, business practices, and nature of advisory services that should be considered before becoming an advisory Client of the Firm.</p> <p>Individuals associated with FAI will provide its investment advisory services. These individuals are appropriately licensed, qualified, and authorized to provide advisory services on behalf of FAI. Such individuals are known as Investment Adviser Representatives (IARs).</p> <p>Please contact Lyn A. Dippel, J.D., CFP®, Chief Compliance Officer, if you have any questions about this Schedule F narrative. Additional information about the Firm is available on the Internet at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for the Firm is 104610.</p> <p>FAI offers customized investment advisory services to individuals, trusts, estates, charitable organizations, and other investments advisers. The centerpiece of Financial Advantage Inc.'s service is our planning process where we work closely with Clients and their other advisers to develop detailed strategies in the critical areas of cash flow, taxes, risk management, investments, retirement and estate planning. We offer five distinct and independent services—Financial Advisory Retainer Services, Portfolio Management Services, Personal Financial Plan Services, Custom Investment Plan Services, and Sub-advisory Management Services as described more fully below. Clients may use one or any combination of these services. Prior to entering into an agreement for services, FAI and the Client will determine the scope of the services to be provided.</p> <p><u>I. Financial Advisory Retainer Services</u></p> <p>Our Financial Advisory Service is a retainer arrangement whereby the staff of FAI commits to develop a Personal Financial Plan for our Client and to help implement the recommendations of the Plan, to oversee and actively manage the Client's investment portfolio, to regularly review, and update the Plan and to be accessible to our Client's family for advice and support in all matters impacting their personal financial situation and the achievement of their goals. In short, our goal is to become each Client's partner in the attainment of their personal dreams.</p> <p>Financial Advisory Services generally may include such areas as cash flow and budget analysis/planning, tax analysis/planning, risk management, retirement planning, estate planning, and investment/portfolio management. Please refer to the <u>Portfolio Management Services</u> section below for more details on the implementation and the portfolio management process.</p> <p>On an annualized basis, the Firm's fees for the Financial Advisory Retainer Services are based on the following fee schedule:</p> <table><thead><tr><th><u>Assets Under Management</u></th><th><u>Annualized Fee*</u></th></tr></thead><tbody><tr><td>First \$2,000,000</td><td>0.90%</td></tr><tr><td>Next \$3,000,000</td><td>0.70%</td></tr><tr><td>Above \$5,000,000</td><td>0.50%</td></tr></tbody></table> <p>*Note: The annual retainer fee is subject to a minimum of \$10,000. The fee does not include transaction fees, or other fees/expenses charged by brokers, custodians, or mutual funds.</p> <p>When agreed between Client and FAI, it may be appropriate to establish a fee schedule different</p>	<u>Assets Under Management</u>	<u>Annualized Fee*</u>	First \$2,000,000	0.90%	Next \$3,000,000	0.70%	Above \$5,000,000	0.50%
<u>Assets Under Management</u>	<u>Annualized Fee*</u>								
First \$2,000,000	0.90%								
Next \$3,000,000	0.70%								
Above \$5,000,000	0.50%								

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

**Schedule F of
Form ADV**

Continuation Sheet for Form ADV Part II

Applicant:	SEC File Number:	Date:
Financial Advantage, Inc.	801-31624	2-03-2009

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:

IRS Empl. Ident.No.:

Available Upon Request

Item of Form (identify)	Answer								
Item 1.D. (continued)	<p>from the base fee structure due to circumstances such as prior relationship, related accounts, level of collateral responsibilities, etc.</p> <p>The annual fee is billed quarterly in advance based on the asset value on the last day of the previous calendar quarter as reported by the custodian. For assets not held at FAI select custodians, it is the Client's responsibility to provide updated statements of market value. Fees will be assessed pro rata in the event the advisory agreement is executed at any time other than the first day of a billing period.</p> <p>Fees will either be invoiced and payable by check or the advisory fees will be directly debited by the qualified custodian holding the Client's funds and securities provided the Client supplies written authorization permitting the fees to be paid directly from the account. Further, the qualified custodian agrees to deliver an account statement, at least quarterly, directly to the Client, showing all disbursements from the account. The Client is encouraged to review all account statements for accuracy.</p> <p>II. <u>Portfolio Management Services</u></p> <p>FAI provides discretionary portfolio management services where the investment advice provided is custom tailored to meet the needs and investment objectives of the Client. Subject to any written guidelines, which the Client may provide, FAI will be granted discretion and authority to manage the account. Accordingly, FAI is authorized to perform various functions, at the Client's expense, without further approval from the Client. Such functions include the determination of securities to be purchased/sold, and the amount of securities to be purchased/sold. Once the portfolio is constructed, FAI provides continuous supervision and rebalancing of the portfolio as changes in market conditions and Client circumstances may require.</p> <p>On an annualized basis, the Firm's fees for portfolio management service, will be based on the following fee schedule:</p> <table border="0"> <thead> <tr> <th><u>Assets Under Management</u></th> <th><u>Annualized Fee*</u></th> </tr> </thead> <tbody> <tr> <td>First \$2,000,000</td> <td>0.90%</td> </tr> <tr> <td>Next \$3,000,000</td> <td>0.70%</td> </tr> <tr> <td>Above \$5,000,000</td> <td>0.50%</td> </tr> </tbody> </table> <p>*Note: The annual portfolio management fee is subject to a minimum of \$4,000. This minimum applies to clients who engage FAI for Portfolio Management Services only. The fee does not include transaction fees, or other fees/expenses charged by brokers, custodians, or mutual funds.</p> <p>FAI, in its discretion, may allow accounts of members of the same household to be aggregated for purposes of determining the advisory fee. The Firm may allow such aggregation, for example, where the Firm services accounts on behalf of related accounts. This consolidation practice is designed to allow Clients the benefit of an increased asset total, which could potentially cause the accounts to be assessed a reduced advisory fee based on the breakpoints available in FAI's fee schedule as stated above.</p> <p>The annual fee for portfolio management services is billed quarterly in advance based on the asset value on the last day of the previous quarter as reported by the custodian. For assets not held at FAI select custodians, it is the Client's responsibility to provide updated statements of market value. Fees will be assessed pro rata in the event the portfolio management agreement</p>	<u>Assets Under Management</u>	<u>Annualized Fee*</u>	First \$2,000,000	0.90%	Next \$3,000,000	0.70%	Above \$5,000,000	0.50%
<u>Assets Under Management</u>	<u>Annualized Fee*</u>								
First \$2,000,000	0.90%								
Next \$3,000,000	0.70%								
Above \$5,000,000	0.50%								

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

**Schedule F of
Form ADV**

Continuation Sheet for Form ADV Part II

Applicant:	SEC File Number:	Date:
Financial Advantage, Inc.	801-31624	2-03-2009

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:

IRS Empl. Ident.No.:

Available Upon Request

Item of Form (identify)	Answer
Item 1.D. (continued)	<p>is executed at any time other than the first day of a calendar quarter.</p> <p>Management fees will either be invoiced and payable by check or the management fees will be directly debited by the qualified custodian holding the Client's funds and securities provided the Client supplies written authorization permitting the fees to be paid directly from the account. FAI will not have access to Client funds for payment of fees without written consent by the Client. Further, the qualified custodian agrees to deliver an account statement, at least quarterly, directly to the Client, showing all disbursements from the account. The Client is encouraged to review all account statements for accuracy.</p> <p><u>Termination of Financial Advisory Services/ Portfolio Management Services</u> FAI or the Client may terminate the retainer or portfolio management agreement within five days of the date of acceptance without penalty to the Client. Subsequent to that period and after six months, either party may terminate the agreement by providing written notice to the other party, with termination generally taking effect at the end of the calendar quarter. In the event there are any prepaid unearned fees, FAI will promptly refund a pro rata share to the Client. All applicable fees, terms of engagement, and termination clauses will be clearly set forth in agreement executed between the Client and FAI.</p> <p><u>III. Personal Financial Planning Services</u></p> <p>On an exception basis only we offer Personal Financial Planning as a stand-alone service. In one or two meetings with our Clients, we gather and discuss the essential information, which may include their spending needs and savings pattern, insurance coverage, taxes, investment, hopes for retirement and for providing for the next generation of their family, or any other personal financial goals or concerns. We assemble the information in a written Plan and prepare analyses and recommendations for each topic covered under the scope of the agreement.</p> <p>The planning process is usually completed within 8 to 12 weeks. Besides the initial one or two meetings, it involves an exchange of drafts of the various sections so that Clients have ample opportunity to add to or challenge the analysis, and a final meeting to review all of the concepts and recommendations of the Plan.</p> <p>Components of a Personal Financial Plan may include: Goals, Cash Flow Analysis, Investment Plan, Retirement Planning, Capital Needs Analysis, Risk Management, Income Tax Planning and Estate Planning.</p> <p>The cost of our Personal Financial Planning varies with the complexity of specific Client issues. The minimum fee for a Personal Financial Plan is \$5,000. Planning fees could be lower if the scope of the engagement is substantially limited in nature. Fees are billed one-half at commencement and one-half at satisfactory completion of the work. Prepaid fees are fully refundable in the case of non-performance or in the event of cancellation prior to the commencement of work.</p> <p>Reviews can be scheduled at the request of the Client. Our fee will be based on the scope and complexity of the issues to be addressed in the review.</p> <p><u>IV. Custom Investment Plan</u></p> <p>An Investment Plan is a onetime detailed review of an individual's current portfolio and only offered under special circumstances – such as for a family member of an existing Client. Working closely with our Clients, we make every effort to understand their financial goals, to have a two-way exchange about investment risks and to arrive at a realistic assessment of</p>

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

**Schedule F of
Form ADV**

Continuation Sheet for Form ADV Part II

Applicant:	SEC File Number:	Date:
Financial Advantage, Inc.	801-31624	2-03-2009

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:

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Item of Form (identify)	Answer
Item 1.D. (continued)	<p>investment return opportunities. Our Investment Plan covers all of a Client's investment assets, both taxable and tax-deferred. It takes into consideration the Client's financial circumstances and goals, tax situation and personal tolerance for risk. The written plan addresses the suitability of currently owned investments as well as the rationale for the recommendation of specific alternatives. The plan is very detailed, enabling the self-directed Client to implement the Plan guidelines and recommendations on their own.</p> <p>The cost of our Investment Plan can vary with the size and complexity of the portfolio and starts at \$5,000. Including two Client meetings, the process is usually completed in four to six weeks. Fees are billed one-half at commencement and one-half at satisfactory completion of the work. Prepaid fees are fully refundable in the case of non-performance or in the event of cancellation prior to the commencement of work.</p> <p>We can provide Investment Plan Reviews as a way of updating our original Investment Plan on an "as needed" basis at the request of our Clients. Our fee will be based on the size and complexity of the portfolio as in a first-time Plan.</p> <p><u>Hourly and Ad Hoc Consultations</u></p> <p>We do not generally offer hourly consulting to the public at large. Where a situation warrants it, personal financial planning and consulting services are provided hourly on a fee-only basis. J. Michael Martin's hourly rate is \$500, Christopher P. Parr, \$350, Chad J. Norfolk \$350, and Lyn Dippel \$350. Work performed by other staff members is \$150. Invoices are billed monthly for work that has been performed to completion.</p> <p>Some of the investments recommended by Financial Advantage, Inc. for its Client's portfolios are no-load mutual funds. Financial Advantage, Inc. receives no compensation of any kind from mutual funds or brokers or any third parties. However, Clients should know that all mutual funds, even no-load funds, charge their shareholders operating fees that are deducted from each shareholder's account at the fund.</p> <p>These costs, which compensate each fund's managers, analysts and administrators, are completely separate from any fees charged by Financial Advantage, Inc.</p> <p>V. <u>Sub-Advisory Management Services</u></p> <p>FAI may also act as sub-adviser for unaffiliated third party investment advisers whereby such third parties engage FAI for the purposes of managing the unaffiliated adviser's client assets ("outside accounts"). The third party adviser will remain the <i>primary adviser</i> for its Client accounts.</p> <p>Under such arrangements, FAI provides discretionary asset management services, where the management services provided to the outside accounts is based upon established model portfolios which correlate to specific investment objectives and risk tolerance levels.</p> <p>The model portfolio allocations will be constructed and maintained to provide investment objective driven management services to investors. The <i>primary adviser</i> will communicate with and assist its clients, the investors, in selecting the appropriate model based on information the investor provides to the <i>primary adviser</i>.</p> <p>FAI will monitor the investments contained in the outside accounts in order to provide on-going supervision as to changes in the investments, and/or allocations of such investments, that are necessary to adhere to the desired investment objective.</p>

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

**Schedule F of
Form ADV**

Continuation Sheet for Form ADV Part II

Applicant:	SEC File Number:	Date:
Financial Advantage, Inc.	801-31624	2-03-2009

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:

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Item 1.D. (continued)	<p>Subject to any written guidelines, that the investor may provide, the Firm will be granted discretion and authority to manage the outside accounts. Accordingly, FAI is authorized to perform various functions, at the investor's expense, without further approval from the investor. Such functions include the determination of securities to be purchased/sold and the amount of securities to be purchased/sold. FAI provides continuous supervision and re-balancing of the outside account portfolios as changes in market conditions occur. The <i>primary adviser</i> will be responsible for determining initial and on-going suitability of any FAI model in which to place the investor's assets. FAI will manage the outside accounts in accordance with the chosen portfolio model's stated objectives. FAI will not be responsible for determining suitability of any chosen strategy/model.</p> <p>The fees payable to FAI shall be detailed in the applicable sub-advisory agreement and may vary from relationship to relationship. For certain sub-advisory relationships, FAI receives a negotiable annual fee of 0.60% of the managed assets, which is payable quarterly in advance based on the value of the assets on the last day of the previous quarter as reported by the custodian. Fees will be assessed pro rata in the event the management agreement is executed at any time other than the first day of a calendar quarter. The fee will either be paid to FAI directly by the custodian or will be paid by the <i>primary adviser</i> directly to FAI.</p> <p>Applicable fees, fee payment arrangements, and the terms of the engagement will be clearly set forth in the agreement executed between FAI and the <i>Primary Adviser</i> prior to services being rendered. Either party may terminate the sub-advisory management agreement by giving written notice at any time for any reason; such termination would be effective as of the last day of the calendar quarter in which written notice is delivered.</p> <p><u>GENERAL INFORMATION ON ADVISORY SERVICES AND FEES</u> FAI does not represent, warrant, or imply that the services or methods of analysis employed by the Firm can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.</p> <p>FAI shall never have custody of any client funds or securities, as the services of a qualified and independent custodian will be used for these asset management services.</p>
Item 3.I., 4.C.(6) Item 3.L.	<p><u>TYPES OF INVESTMENTS/INVESTMENT STRATEGIES</u> Financial Advantage Inc. does not generally provide advice on securities options contracts. However, occasionally where circumstances warrant, we will provide advice that may include options strategies to protect a Client's concentrated stock position. FAI reserves the right to advise Clients on any other type of investment that it deems appropriate based on the Client's stated goals and objectives. FAI may also provide advice on any type of investment held in a Client's portfolio at the inception of the advisory relationship or any investment on which the Client requests advice.</p>
Item 5.	<p><u>EDUCATION AND BUSINESS STANDARDS</u> Our employees who provide investment advice to Clients are required to have received their CERTIFIED FINANCIAL PLANNER™ certificate. This certificate is controlled by the Certified Financial Planner Board of Standards and denotes individuals who have met CFP Board's education, examination and experience requirements, have agreed to adhere to high standards of ethical conduct and who complete CFP Board's biennial certification requirements, including continuing education. In addition, associated persons of FAI, who are involved in determining or giving investment advice to Clients, must meet all examination, licensing, or experience</p>

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**Schedule F of
Form ADV**

Continuation Sheet for Form ADV Part II

Applicant:	SEC File Number:	Date:
Financial Advantage, Inc.	801-31624	2-03-2009

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:

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Item 6.	<p>requirements of the states and/or jurisdictions in which the individual provides advisory services.</p> <p><u>EDUCATION AND BUSINESS BACKGROUND</u></p> <p><u>J. Michael Martin, J.D., CFP®</u>, born in Columbus, Ohio on 6/1/41, received his Doctor of Jurisprudence from Fordham University School of Law, New York City and has been a member of the New York Bar since 1968. He received his Bachelor of Arts in Economics from Assumption College, Worcester, MA in 1963. Mike is a former Vice President and Director of Research for T. Rowe Price Assoc., Baltimore, MD, from 1978 to 1987 and Vice President of Research for New York Stock Exchange member firms in New York City. Presently, Mike is a CERTIFIED FINANCIAL PLANNER™ certificant and member of the National Association of Personal Financial Advisors. Michael is President and Principal of FAI and serves as Chief Investment Officer.</p> <p><u>Christopher P. Parr, CFP®, MBA</u>, born in Baltimore, MD on 9/19/57, received his Bachelor of Arts in Economics and Business Administration from Western Maryland College in 1979, and his Masters of Business Administration in Finance in 1981 from Loyola College in Baltimore, Maryland. Chris founded Parr Financial Solutions in 1992 and became a CERTIFIED FINANCIAL PLANNER™ certificant in 1993. Chris joined Financial Advantage, Inc. in 2001 as an officer and principal and is a member of the Investment Committee. Chris is a member of the National Association of Personal Financial Advisors.</p> <p><u>Chad J. Norfolk, CFP®</u>, born in Baltimore, MD on 11/12/1974, received his Bachelor of Science in Business Administration from Towson University in 1996 and is a CERTIFIED FINANCIAL PLANNER™ certificant. Chad also holds his life & health insurance license for the State of Maryland and has received the Series 7 and Series 66 securities licenses. Prior to joining Financial Advantage, Inc., Chad served as a Vice President and Principal of Geier Asset Management, Inc., an independent financial planning and investment advisory firm located in Marriottsville, MD. Chad is a member of the Financial Planning Association. He is a Vice President and member of the FAI Investment Committee.</p> <p><u>Lyn A. Dippel, JD, CFP®</u>, born in Lausanne, Switzerland on 12/19/66, received her Bachelor of Arts in Psychology from University of Richmond in 1988 and her Juris Doctor from George Mason University School of Law in 1993. Lyn was a former Principal and Financial Advisor at Symphony Financial in Herndon, VA from 2002-2004. Prior to Symphony, Lyn worked as a planner for Asset Management and Planning Group, the financial planning division of MillerMusmar, CPA. Lyn is currently a CERTIFIED FINANCIAL PLANNER™ certificant; an associate member of the Virginia State Bar and a member of the Baltimore Estate Planning Council. Lyn is a Vice President and member of the FAI Investment Committee.</p>
Item 7. A. & B.	<p><u>OTHER BUSINESS ACTIVITIES</u></p> <p>In addition to its investment management and counseling activities, FAI provides personal consulting services in the area of budgeting and cash management, retirement planning, tax planning, risk management and estate planning.</p>
Item 9.E.	<p><u>PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS</u></p> <p>Most of FAI's recommended securities are individual stocks and bonds and shares of no-load, open-end and closed-end mutual funds. Since the value of open-end funds and Treasury bonds cannot be affected by the purchases or sales of FAI's employees, there are no restrictions on their investing in these securities. Employees are required to adhere to the following rules when purchasing or selling all other securities.</p> <p>If FAI is adding a new security or increasing an existing allocation across the board on behalf of</p>

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	<p>FAI's Clients, no Covered Persons may transact in that security prior to the block purchase for the benefit of the Clients. As long as sufficient shares are available to be purchased and allocated to all relevant Clients, employees may purchase the security as a part of the block trade thus avoiding the possibility of any employee receiving a lower price than a Client.</p> <p>If FAI is selling a security or decreasing an existing allocation across the board on behalf of FAI's Clients, no Covered Persons may transact in that security prior to the block sale for the benefit of the Clients. As long as sufficient shares are available to be sold for all relevant Clients, employees may sell the security as a part of the block trade thus avoiding the possibility of any employee receiving a higher price than a Client.</p> <p>This Investment Policy has been established recognizing that some securities being considered for purchase and sale on behalf of FAI's Clients trade in sufficiently broad markets to permit transactions by Clients to be completed without any appreciable impact on the markets of the securities. Under certain circumstances exceptions may be made to the policies stated above. For example, we review Client portfolios at least quarterly and are continually making changes in individual Clients' accounts for rebalancing and liquidity purposes. Employees are not prohibited from doing the same in their accounts throughout the quarter.</p> <p>In addition, all advisory personnel are required to adhere to the firm Code of Ethics, which sets forth standards of business conduct expected of advisory personnel that reflect our fiduciary obligations to our Clients and addresses conflicts arising from personal trading by advisory personnel. The Code of Ethics also covers privacy of Client information and non-custody of Client assets. A copy of our Code of Ethics is available by request.</p>
Item 10.	<p><u>CONDITIONS FOR MANAGING ACCOUNTS</u></p> <p>Financial planning or investment management Clients are not required to meet any net worth or annual income requirements. Financial Advisory Retainer Service Agreements are subject to a \$10,000 minimum annual fee and Portfolio Management Service Agreements are subject to a \$4,000 minimum. The minimum fee for a Personal Financial Plan or a Custom Investment Plan is \$5,000. When agreed between Client and registrant, it may be appropriate to establish a fee schedule different from the base fee structure due to circumstances such as prior relationship, related accounts, level of collateral responsibilities, etc.</p>
Item 11.A.	<p><u>REVIEW OF ACCOUNTS</u></p> <p>Services are initiated by an in-person review of a Client's financial goals, preferences and risk tolerance. An investment plan is drafted for Client approval. Subsequent to the plan's approval and implementation, quarterly reviews are conducted which result in a written Client report encompassing a summary of account activity, year-to-date income and changes in capital value for individual investments, and a compilation of capital gains and losses for the current tax year. A diversification analysis is part of each quarterly review. Changes in the investment environment or in Client circumstances can trigger unscheduled reviews.</p> <p>Reviews are conducted by J. Michael Martin, President, Christopher P. Parr, Vice President, Chad J. Norfolk, Lyn A. Dippel. Reviewers perform reviews in accordance with the FAI standard portfolio models and investment guidelines set by the Chief Investment Officer and the Investment Committee. Reviewers are members of the Investment Committee and attend regular meetings. Reviewers work as a team to complete all Client reviews. Records are maintained detailing who is responsible for each review.</p>
Item 11.B.	<p><u>REPORTS TO CLIENTS</u></p>

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Item 12.A.	<p>The reviews described above typically result in a written report to the Client (quarterly for the Financial Advisory Services and Portfolio Management Clients). The most recent quarter end allocations are shown on this report. Clients also receive monthly statements from brokers engaged on their behalf. Advisor's determination of securities bought or sold and amounts thereof must be reasonably consistent with the current model portfolio for the Clients risk level. Regular reports to Clients on their accounts are also available daily via password protected secure area of the Financial Advantage Inc website.</p> <p><u>INVESTMENT OR BROKERAGE DISCRETION</u></p> <p>Clients may grant FAI complete discretion over the selection and amount of securities to be bought or sold without obtaining their prior consent or approval. However, FAI's investment authority may be subject to specified investment objectives, guidelines and/or conditions imposed by the Client. For example, a Client may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry.</p> <p><i>Trade Aggregation</i></p> <p>Occasionally a decision will be made to purchase, add to, reduce or sell a particular security across many Client accounts. When this occurs, we will execute a block trade in our master account and allocate the shares according to predetermined written allocation instructions and the average price for all shares will be allocated to all trade participants.</p> <p>In the rare circumstance where there is not enough liquidity in the security to fill the entire order, we will allocate the partial fill according to a pro rata format unless specifically explained otherwise in a written allocation. If a pro rata format is not used, the criteria for the allocation of the partial fill will be documented with the original written allocation plan prior to the trade.</p> <p><u>SUGGESTION OF BROKERS</u></p> <p>FAI may recommend that Clients establish brokerage accounts with various registered brokers to maintain custody of Clients' assets and to effect trades for their accounts. FAI is independently owned and operated and not affiliated with these brokers.</p> <p>FAI attempts to use brokers that will provide the best possible execution for Client trades. However, because it is not feasible to shop brokers for each trade it is not possible to guarantee that every trade will receive the best possible execution. In evaluating brokerage firms in light of best execution, we look at trading as a process and take into consideration several key factors in the aggregate. Brokers are selected on the basis of adding value to the Client in the areas of breadth and quality of services and discounted transaction costs.</p> <p>In evaluating the quality of execution, we review our brokerage relationship on an annual basis. Currently we use Charles Schwab & Co. to execute the majority of our trades. When applicable we use independent specialists as a resource for bond trades in order to provide access to Maryland Municipal Bonds and to obtain better pricing on individual corporate bonds.</p> <p><u>ADDITIONAL COMPENSATION</u></p> <p>The brokers provide FAI with access to its institutional trading and custody services, which are typically not available to retail investors. Services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors as well as software and other technology that provide FAI access to Client accounts, facilitate trade execution, and provide research, pricing and other market data. They may also provide publications or presentations on topics such as technology, regulatory</p>
Item 12.B.	
Item 13.A.	

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	<p>compliance and practice management. These brokers generally do not charge separately for custody but are compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through them.</p> <p>In addition, Schwab has agreed to pay for specific securities research services. These services are documented and a list is available upon request. The dollar amount of such services is based on FAI's annual trading volume through Charles Schwab and is not in excess of \$10,000.</p> <p><u>MISCELLANEOUS</u></p> <p><i>Proxy Voting</i></p> <p>Notwithstanding FAI's discretionary authority to make investment decisions on behalf of our Clients, we will not exercise proxy-voting authority over Client securities. The obligation to vote Client proxies shall at all time rest with the Client. The Clients shall in no way be precluded from contacting Financial Advantage Inc. for advice or information about a particular proxy vote. However, Financial Advantage Inc. shall not be deemed to have proxy voting authority solely as a result of providing such advice to the Clients.</p> <p>Should FAI inadvertently receive proxy information for a security held in the Clients account, then FAI will forward such information on to the Client, but will not take any further action with respect to the voting of such proxy. Upon termination of its agreement with Client, FAI shall make a good faith and reasonable attempt to forward proxy information inadvertently received by FAI on behalf of the Client to the forwarding address provided by the Client to FAI.</p> <p><i>Class Action Lawsuits</i></p> <p>From time to time, securities held in the accounts of Clients will be the subject of class action lawsuits. The Firm has no obligation to determine if securities held by the Client are subject to a pending or resolved class action lawsuit. It also has no duty to evaluate a Client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, the Firm has no obligation or responsibility to initiate litigation to recover damages on behalf of Clients who may have been injured as a result of actions, misconduct or negligence by corporate management of issuers whose securities are held by Clients.</p> <p>Where the Firm receives written or electronic notice of a class action lawsuit, settlement or verdict affecting securities owned by a Client, it will forward all notices, proof of claim forms and other materials, to the Client.</p> <p><i>Confidentiality</i></p> <p>Protecting its Clients' private information is important to FAI. Therefore, FAI has instituted policies and procedures to ensure that customer information is kept private and secure. FAI does not disclose any non-public personal information about its customers or former customers to any non-affiliated third parties except as required by or permitted by law. In the course of servicing a Client account, FAI may share some information with its service providers, such as transfer agents, custodians, broker/dealers, accountants, and attorneys. FAI restricts internal access to non-public personal information to those employees who need access to such information in order to provide products or services to a particular Client. FAI also maintains physical, electronic, and procedural safeguards to protect Client information.</p> <p>A copy of FAI's privacy policy notice will be provided to each Client prior to, or contemporaneously with, the execution of the advisory agreement. Thereafter, FAI will deliver a copy of the current privacy policy notice to its Clients annually. Questions regarding this policy should be directed to Lyn Dippel, J.D., CFP®, CCO, at (410) 715-9200.</p>

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