

Firm Brochure
(Part 2A of Form ADV)

Financial Advantage, LLC

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This brochure provides information about the qualifications and business practices of Financial Advantage, LLC. If you have any questions about the contents of this brochure, or to request a copy, please contact us at (503) 635-5244.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “**SEC**”), or by any state securities authority. Additional information about the firm is available on the SEC’s website at www.adviserinfo.sec.gov. Registration as an investment adviser does not imply a certain level of skill or training.

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Item 2 - Material Changes

We are a new adviser and this is our first Brochure. In the future, this Item 2 will be used to identify material changes since our last annual update.

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Item 4 – Advisory Business

Financial Advantage, LLC (“Financial Advantage,” “we,” “our,” “us”) is an SEC-registered investment adviser with its principal place of business in Lake Oswego, OR.

Financial Advantage is a member-managed Nevada limited liability company formed in August 2018. We submitted an application for registration as an investment adviser shortly after forming the entity. The sole member and manager is John T. Carr.

We provide investment management and financial planning services. Prior to providing any investment advisory or planning services, clients enter into one or more written agreements with us (“Agreement”), that detail different aspects of the relationship, including the specific services to be provided and the associated fees.

Financial Planning Services

We may provide clients with a broad range of comprehensive financial planning services. Our financial planning is tailored to the individual needs of the client, and may include retirement planning, education planning, budgeting, cash flow and business planning, review of insurance, or recommendations for portfolio customization. We occasionally provide financial planning services on a stand-alone basis.

In performing planning services, we typically obtain information from the client or from the client’s other professionals (e.g., attorney, accountant, etc.) concerning financial data, goals, and resources. While we ask questions about the information and make a point of understanding the client’s situation, we do not independently verify the accuracy of the data provided to us.

We often recommend that planning clients engage us for additional related services, such as implementation of financial plans and ongoing management of client assets (see Investment Management, below). A conflict of interest exists when we recommend our own services. Clients are under no obligation to act on any of the financial planning recommendations we make or to engage us for additional services.

We may also recommend that clients use specific professionals, such as unaffiliated attorneys or CPAs. In making these recommendations, we believe that the other professionals are qualified and are likely to meet the client’s needs, but clients are under no obligation to accept the recommendations. We do not receive referral fees or any other compensation for recommending other professionals. Clients retain absolute discretion over all implementation decisions and are free to accept or reject any of Financial Advantage’s recommendations.

Investment Management Services

Clients may engage Financial Advantage to manage all or a portion of their assets on a discretionary basis. We do not provide non-discretionary management. Our discretionary authority permits us to delegate management authority for all or a portion of a client’s assets to unaffiliated investment managers (“Sub-Advisers”), as further described below.

Depending on client needs, we typically allocate client assets among appropriate equity and fixed-income securities, and may choose both individual stocks and bonds (most common for clients with more than \$250,000 under our management), as well as mutual funds, and exchange-traded funds (“**ETFs**”). In some cases, we may also select Sub-Advisers. As appropriate for the client, we may also incorporate other types of securities in our management strategy and may provide advice about any type of legacy investment held in clients’ portfolios.

We ask clients to promptly notify us if there are changes in their financial situation or investment objectives, or if they wish to impose any reasonable restrictions upon our management services.

Use of Sub-Advisers

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As mentioned above, and based on the stated investment objectives of the client, Financial Advantage may authorize the active discretionary management of a portion of their assets by and/or among unaffiliated Sub-Advisors. The terms and conditions under which the client engages Sub-Advisors are described in our Agreement with the client. In some cases, a given manager may enter into a direct relationship with the client, but this is unusual.

Financial Advantage monitors and reviews the account performance and the client's investment objectives, and maintains ongoing authority to hire and terminate Sub-Advisors or to allocate more or less of a client's total assets to Sub-Advisors. We receive an annual advisory fee based on a percentage of value of total assets managed. Sub-Adviser(s) assess separate fees for their services, in addition to what Financial Advantage charges. All fees are described in the Agreement.

We manage client assets with a focus on specific objectives, such as long-term growth for retirement, ongoing cash flow needs, or investing to fund identified client goals. We rebalance client portfolios regularly in light of market dynamics, to maintain a certain market exposure or take advantage of perceived opportunities.

In addition to Financial Advantage's Brochure, we also provide Brochures for any Sub-Advisors we use. Some Sub-Advisors may impose more restrictive account requirements or have different billing practices than Financial Advantage. In such instances, Financial Advantage may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Managers.

Rollovers from Retirement Plans; Fiduciary Status for Retirement Investors

In recommending that any client roll over retirement plan assets to our management, we have a conflict of interest. Before making any such recommendation we review your existing investment options, fees and expenses, and your overall investment objectives. We only make the recommendation once we've determined that doing so is in your best interest.

Tailored Advice and Client Restrictions

We implement our advice or formulate planning recommendations based on individual client needs and it is important that clients notify us promptly of any change in their financial situation or investment objectives. We consult with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in our sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome for us to administer.

Sponsor / Manager of Wrap Program

Financial Advantage is not a sponsor or manager of a wrap fee program.

Assets Under Management

We are a new investment adviser and do not currently have any assets under management.

Item 5 – Fees and Compensation

Financial Advantage offers its services on a fee basis, which may include fixed fees as well as fees based upon assets under management. Many of the individuals associated with us maintain other financial industry affiliations that generate additional revenue to them. This can create a conflict of interest; more information about the conflicts, and how we mitigate them, appears below.

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Financial Planning and Pension Consulting Fees

Financial Advantage charges a fixed fee for financial planning services. These fees are negotiable, but generally range between \$2,500 to \$10,000, depending on the level and scope of the services. In some cases, fees may be higher or lower than the range shown, but our most common initial planning fee is approximately \$2,500. The applicable fees are detailed in the Agreement.

As part of the planning engagement, we may recommend that clients engage Financial Advantage for ongoing asset management. Following these recommendations will result in Financial Advantage earning more compensation. Clients are never obligated to implement our advice through Financial Advantage or its representatives.

Prior to engaging us to provide financial planning services, the client is required to enter into a written agreement setting forth the terms and conditions of the engagement. We generally require one-half of the fee, payable upon our acceptance of the Agreement. The balance is typically due upon delivery of the financial plan or completion of the agreed services. In no event do we accept fees greater than \$1,200 six months or more in advance.

Fees for Investment Management Services

We provide investment management services for an annual fee based on a percentage of the market value of the assets under management ("Advisory Fee").

Our Advisory Fee is prorated for partial quarters and charged quarterly, in advance, based upon the market value of the assets under our management on the last day of the previous quarter, as reported by the qualified custodian holding the assets. Financial Advantage does not value assets for fee billing purposes. The annual Advisory Fee varies depending on the market value of the assets under management and the type of investment management services to be rendered.

Primary Advisor Fee Schedule

Assets Under Management	Annual Advisory Fee
Up to \$1million	1.00%
\$1 million to \$1.5 million	.90%
\$1.5 to \$2.5 million	.80%
Over \$2.5 million	.75%

Fixed Income Separately Managed Accounts

Assets Under Management	Annual Advisory Fee
Up to \$1million	.60%
\$1 million to \$2.5 million	.50%
\$2.5 to \$5 million	.40%
Over \$5 million	.30%

The Fixed Income schedule applies only to non-retirement assets, and only where the client has sufficient assets that a separately managed portfolio of individual fixed income securities makes sense. In most cases, we would not recommend this arrangement unless the client had at least \$250,000 to dedicate to fixed income securities.

Financial Advantage may choose to negotiate any of our own fees. The actual fees agreed to with a given client is specified in the Agreement.

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Fees for Sub-Advisers may or may not be negotiable, but typically are not. In most cases, the Sub-Advisers used have agreed to a specified rate for Financial Advantage clients and further negotiation is not an option. While we retain the right to negotiate or not negotiate lesser fees, in our sole discretion, the factors we usually consider include type of account, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.

Sub-Advisory Fees

As previously described we engage third party Sub-Advisers to provide discretionary asset management services to our clients, for which an additional and separate asset-based fee applies. Because different Sub-Advisers charge different fees, and because we may allocate to those Sub-Advisers in different proportions over time, Sub-Advisory Fees will vary quarter-to-quarter. We provide more detail about Sub-Advisory Fees in the Agreement, but the standard range is .10% - 1.0%.

We will typically deduct Sub-Advisory Fees directly from client accounts and pay them to the Sub-Adviser as a pass-through.

Other Fees

Financial Advantage's Advisory Fees are exclusive of and in addition to brokerage commissions, transaction fees, and other related costs and expenses incurred by the client. Clients may incur certain charges imposed by the custodians, executing brokers, and other third parties, custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses) and expressed as part of the fund's expense ratio, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Clients are responsible for the payment of these costs and expenses. Financial Advantage will not receive any portion of these commissions, fees, or costs. See Item 12, Brokerage Practices, for additional information about these costs.

Fee Debit

The Agreement and a separate agreement with the account custodian may authorize Financial Advantage or Sub-Advisers to debit client accounts for the amount of our Advisory Fee and any Sub-Advisory Fees and to directly remit the fees to Financial Advantage or to the Sub-Advisers. Any custodians we recommend have agreed to send statements to clients, at least quarterly, indicating all amounts disbursed from the account, including the amount of Advisory Fees or Sub-Advisory Fees paid directly to Financial Advantage or any Sub-Advisers.

Fees for Management During Partial Quarters of Service

For the initial period of investment management services, the fees are calculated on a *pro rata* basis from the date we began managing the assets.

The Agreement between Financial Advantage and the client will continue in effect until terminated by either party under the terms of the Agreement. Financial Advantage's fees, as well as any pre-paid Sub-Advisory Fees, are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate. Should we terminate a Financial Planning agreement prior to completion of the plan, we will typically charge fees for work performed up until the date of termination at our hourly rate of \$325 per hour. Unless milestones are identified and an alternative refund methodology identified in the Agreement, will not charge any amounts in excess of the initial payment for terminated Agreements.

Clients may make additions to and withdrawals from their accounts at any time, subject to Financial Advantage's right to terminate an account. Additions may be in cash or securities provided that we reserve the right to liquidate any

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transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets, subject to usual and customary securities settlement procedures. However, Financial Advantage designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of clients' investment objectives. As needed, we will consult with clients about options for and ramifications of transferring securities. Clients should be aware that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges), and/or tax ramifications.

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

We do not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the Assets of a client.

Item 7 - Types of Clients

We provide services to individuals, retirement accounts, trusts, estates, charitable organizations, corporations and business entities.

Minimums Imposed by Sub-Advisers

We do not impose a minimum portfolio size or minimum annual fee. Some of the Sub-Advisers we use may, however, impose more restrictive account requirements than Financial Advantage. In such instances, Financial Advantage will follow the Sub-Adviser's minimum and will not select that Sub-Adviser for any client not meeting the minimum.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategy

Financial Advantage primarily uses a strategic approach with a tactical overlay as its primary method of analysis, but may also incorporate aspects of fundamental and technical analysis. As a general philosophy, we value protecting client portfolios against the downside over capturing an upside swing. There is no guarantee that any investment philosophy or strategy will either achieve a specific level of performance or prevent loss; all investing involves risk that clients must be prepared to bear.

Fundamental analysis involves the fundamental financial condition and competitive position of a company. Financial Advantage will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

Technical analysis involves evaluation of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends, which could, for example, be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend eventually recurs, there is no guarantee that we will be able to accurately predict such a recurrence.

For accounts invested directly by Financial Advantage, we primarily use mutual funds and ETFs, but may also incorporate individual equity or fixed income securities. When selecting funds or ETFs, we consider a variety of factors, including the fund manager's tenure, investment strategy, and/or overall career performance. For individual securities, other factors will apply; see the information on equities and fixed income securities below.

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Mutual Funds and Exchange Traded Funds (ETFs)

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("**NAV**"), plus any shareholders' fees (e.g., sales loads, purchase fees, redemption fees). The per-share NAV of a mutual fund is calculated at the end of each business day.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for actively managed ETFs and more frequently for index based ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

Use of Sub-Advisers

Financial Advantage may in some cases recommend the use of unaffiliated Sub-Advisers for certain clients. We will conduct due diligence on new Sub-Advisers but our recommendations rely, to a great extent, on the Sub-Advisers' ability to successfully implement their investment strategies. In addition, we do not have the ability to supervise Sub-Advisers on a day-to-day basis. There may be other third-party money managers that may be suitable for a client and that may be more or less costly than the Sub-Advisers we select.

General Risk of Loss

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss. All investment programs have certain risks that are borne by the investor. No guarantees can be made that a client's financial goals or objectives will be achieved. Further, no guarantees of performance can be offered. Our investment approach keeps the risk of loss in mind. Investors face the following investment risks:

Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

Market Risk: The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

Inflation Risk: When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

Business Risk: These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a

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profit. Conceptually, they carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

Financial Risk: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Third Party Risk: It is not uncommon for companies to maintain myriad third-party relationships in an effort to reduce costs, increase efficiency and focus more intently on core competencies. However, while businesses seek to gain a competitive and operational advantage through these relationships, they are also exposing themselves to an increasing level of risk. At the same time, however, it is becoming increasingly difficult for businesses to maintain the necessary controls for mitigating the risks associated with these relationships. Failure to manage these risks can expose a business to regulatory action, financial loss, litigation, and reputational damage, and may even impair the institution's ability to establish new or service existing customer relationships.

For those clients choosing to invest in alternative investments, such securities come with additional substantial risks as they are speculative in nature. They may not be registered or regulated under any laws, should be considered illiquid investments, are not freely transferable, may be highly leveraged, may be volatile, and may involve higher fees and expenses than other types of investments. Alternative investments may not be immediately redeemable. Alternative investments such as hedge funds only permit redemptions at specified time periods and in specified advanced notice. As a result, the client may be required to hold alternative investments in its account after termination of this or the Agreement.

Risks Associated with Securities (including strategies or holdings employed by mutual funds or ETFs)

- Absolute Investment Strategies seek to achieve a positive return regardless of the condition of the overall market. These strategies may have returns that perform substantially less well than the overall market depending upon the skill of the portfolio manager.
- Commodities have risk in that they are affected by global supply and demand; domestic and foreign interest rates; political, economic, financial events, or natural disasters; regulatory and exchange position limits; and concentration within a commodity.
- Derivatives. Investments in derivatives, or similar instrument, including but not limited to, options, futures, options on futures, forwards, participatory notes, swaps, structured securities, tender-option bonds and derivatives relating to foreign currency transactions, which can be used to hedge a portfolio's investments or to seek to enhance returns, entail specific risks relating to liquidity, leverage and credit that can reduce returns and/or increase volatility. Losses in a portfolio from investments in derivative instruments can result from the potential illiquidity of the markets for derivative instruments, the failure of the counterparty to fulfill its contractual obligations, the portfolio receiving cash collateral under the transactions and some or all of that collateral being invested in the market, or the risks arising from margin posting requirements and related leverage factors associated with such transactions. In addition, many jurisdictions continue to review practices and regulations relating to the use of derivatives, or similar instruments. Such reviews could make such instruments more costly, limiting the availability of, or otherwise adversely affecting the value or performance of such instrument.

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- Exchange Traded Funds may not accurately track their underlying index and may not have liquidity under severe market conditions.
- Exchange Traded Notes are unsecured debt instruments subject to risk of default by the issuing bank (counterparty risk) as well as market risk. Exchange traded notes may fail to track the index they are designed to track as well as being negatively impacted by a decline in the credit rating of the issuer. They may lack liquidity under severe market conditions.
- Fixed Income securities may be affected by interest rate risk as increases or decreases in interest rates occur and also by credit risk in that issuers may not make payment on the securities. Fixed income markets have experienced a prolonged period of historically low interest rates. Because the prices of fixed income securities tend to fall when prevailing interest rates rise, fixed income securities – especially those with longer-term maturities – may drop significantly in value in the event interest rates rise steeply or unexpectedly.
- High Yield Fixed Income (Bond) Securities invest in securities that are considered speculative and are susceptible to default or decline in value due to adverse economic and business developments. These securities often combine some of the risks of the equity markets (business risk, for example), as well as the risks of fixed income securities.
- Mutual Funds are subject to risks related to the manager's ability to achieve the strategy's objective and market conditions affecting the assets held by the fund.
- Sectors may be subject to risk when a substantial portion of assets are devoted to a particular market sector or industry thereby having the potential of greater volatility than with broadly diversified strategies. A market sector or industry may underperform the market as a whole for a variety of reasons.
- Stocks have risk in that their returns and the principal invested in them is not guaranteed and they are subject to changing market conditions. They may decline in price significantly over short or extended periods in relation to overall market movement or due to factors affecting a segment of the market or factors affecting an individual company, such as a poor earnings report. Small stocks are more volatile than large stocks and are subject to significant price fluctuations and may be thinly traded.

Item 9 - Disciplinary Information

Investment advisors are required to disclose the facts of any legal or disciplinary events material to a client's evaluation of their advisory business or the integrity of management. We have nothing to disclose in response to this Item.

Item 10 - Other Financial Industry Activities and Affiliations

Investment advisors are required to disclose any relationship or arrangement with certain related persons that is material to its advisory business or to its clients.

Our sole Manager and member, John Carr, is also an attorney with the firm of Carr Butterfield, LLC. Financial Advantage does not receive referrals from Carr Butterfield and will not refer advisory clients to Carr Butterfield. The majority of Mr. Carr's time is spent on legal work. He will assess what changes or additional staff will be required as Financial Advantage increases its assets under management.

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

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We are committed to acting in the best interests of our clients. To this end, we have adopted a Code of Ethics that describes our fiduciary and regulatory obligations, and describes the standard of conduct Financial Advantage will uphold. Our employees must read and understand the Code and agree to abide by its requirements. A copy of our Code of Ethics is available upon request to both clients and prospective clients by phoning our office.

Both Financial Advantage and persons associated with Financial Advantage (“**Associated Persons**”) are permitted to buy or sell securities that we also recommend to clients. When Financial Advantage is engaging in or considering a transaction in any security on behalf of a client, no Associated Person may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the Associated Person) a transaction in that security unless:

- ☐ the transaction has been completed;
- ☐ the transaction for the Associated Person is completed as part of an aggregated transaction (as defined below in Item 12) with clients; or
- ☐ a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

This Code has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by Access Persons to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated above.

By policy, we do not effect principal or agency cross transactions, in which we either trade with customers versus our own account or that of an affiliate, or trade securities between client accounts using an affiliated broker-dealer.

Item 12 - Brokerage Practices

Recommending Broker Dealers

We recommend that clients use the brokerage and custodial account services of TD Ameritrade Institutional. TD Ameritrade Institutional (“TD”) is a division of TD Ameritrade, Inc., a FINRA/SIPC member. TD Ameritrade, Inc., is an independent SEC-registered broker-dealer and is unaffiliated with Financial Advantage. We participate in TD’s Institutional Program, through which TD offers services to independently registered investment advisors. These services include custody of securities, trade execution, and clearance and settlement of transactions. While we recommend the custodial and brokerage services of TD, clients are ultimately responsible for deciding where to open a custodial account. Clients are not under any obligation to select the custodian we recommend, though we reserve the right to decline Accounts where the client has selected a custodian other than TD if we believe that the choice would hinder our ability to fulfill our fiduciary duty to the client and/or our ability to service the Account efficiently. We are not affiliated with or otherwise related to TD. As discussed below, Financial Advantage is highly reliant on software services provided through TD at no or reduced cost.

Clients sign separate agreements with the selected custodian that detail the relationship, including obligations of both parties, and compensation and services. Lower rates may be available through other custodians or other advisors.

We evaluate whether asset-based pricing or transaction-based commissions are more appropriate for a given client in making our recommendation of custodian. Generally, accounts that trade very actively are more likely to benefit from

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asset-based pricing and accounts that trade less frequently will benefit from transaction-based commissions. The asset level in the account also enters into the assessment, with larger accounts often receiving asset-based pricing discounts from the custodians.

TD provides its current brokerage charges (commissions) and fees to clients when they establish an account. Custodians may assess other fees and charges, in addition to the commissions or asset-based fees, for services such as wire fees, retirement plan maintenance fees, transfer and termination fees, etc. if applicable. Financial Advantage does not receive any portion of these charges.

When clients open Accounts with a custodian that is also a broker-dealer, and no prime brokerage arrangement exists, we often place orders with the custodial broker-dealer for execution, rather than make trade-by-trade routing decisions.

When clients select a custodial broker-dealer other than TD, we will not have the authority to negotiate commissions on behalf of the client or to obtain volume discounts, and may not be able to obtain best execution for the client. We have evaluated broker-dealer/custodians and believe that TD Ameritrade generally provides clients with best execution on an overall basis. Among others, the factors we consider in evaluating any broker we recommend include our experience with the firm, its reputation, the quality of execution services provided to our clients over time, and the commissions or asset-based fees charged to our clients, among other factors.

We do not generally seek price improvement through broker-dealers other than the custodian on an individual transaction basis. As the firm's assets increase, however, we may place trades through other brokers. Placing orders with a broker-dealer other than the custodial broker-dealer may cause the client to incur fees for trading away. We try to aggregate client trades, where we believe doing so will reduce overall costs to clients. See Aggregation of Orders, below, for more information.

Soft Dollars

We have a soft dollar arrangement with TD, in which TD agrees to make specific payments or reimbursements on our behalf for research products or trading and execution software. We are not obligated to direct any certain level of commissions to TD, but TD will not make the payments unless we generate enough "commission credits."

Generally, in addition to TD's (or another broker's) ability to provide "best execution," we may also consider the value of "research" or additional brokerage products and services a broker-dealer has provided or may be willing to provide. This is known as paying for those services or products with "soft dollars." Because many of the services or products could be considered to provide a benefit to the firm, and because the "soft dollars" used to acquire them are client assets, the firm is considered to have a conflict of interest in allocating client brokerage business. By selecting TD to execute client transactions, and thereby generating commission credits available for soft dollar payments, we potentially earn valuable benefits. The transaction compensation charged by TD might not be the lowest compensation we might otherwise be able to negotiate, especially if we made execution decisions on a trade-by-trade basis. In addition, we could have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage compensation with which to acquire products and services.

Our use of soft dollars is intended to comply with the requirements of Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) provides a "safe harbor" for investment managers who use commissions or transaction fees paid by their advised accounts to obtain investment research services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities. As required by Section 28(e), we will make a good faith determination that the amount of commission or other fees paid is reasonable in relation to the value of the brokerage and research services provided. That is, before placing orders with a particular broker, we generally determine, considering all the factors described below, that the compensation to be paid to TD is reasonable in relation to the value of all the brokerage and research products and services TD provides to us. In making this determination, we typically consider not only the particular transaction or transactions, and not only the value of brokerage and research services and

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products to a particular client, but also the value of those services and products in our performance of our overall responsibilities to all of our clients. In some cases, the commissions or other transaction fees charged by TD for a particular transaction or set of transactions may be greater than the amounts another broker-dealer who did not provide research services or products to us might charge.

Research products and services we may receive from TD may include economic surveys, data, and analyses; financial publications; recommendations or other information about particular companies and industries (through research reports and otherwise); and other products or services (e.g., computer services and equipment, including hardware, software, and data bases) that provide lawful and appropriate assistance to the firm in the performance of its investment decision-making responsibilities. Consistent with Section 28(e), brokerage products and services (beyond traditional execution services) are primarily computer services and software that permit us to effect securities transactions and perform functions incidental to transaction execution. We generally use such products and services in the conduct of our investment decision-making generally, not just for those accounts whose commissions may be considered to have been used to pay for the products or services.

We may also use some products or services made available by TD that are not only research- or brokerage-related, but that serve our administrative and other purposes as well. In these instances, we make a reasonable allocation of the cost of the products and services so that only the portion of the cost that is attributable to making investment decisions and executing transactions is paid with commission dollars and we bear the cost of the balance. Our interest in making such an allocation differs from clients' interest, in that we have an incentive to designate as much as possible of the cost as research and brokerage in order to minimize the portion that the firm must pay directly.

Mutual Funds and ETFs

TD makes available a number of No-Transaction-Fee funds ("NTF Funds"). NTF Funds are not subject to commissions or other transaction fees assessed by TD but, like all funds, have other fees and expenses that apply to continued investments and which are described in the prospectus. TD earns additional revenue on NTF Funds through its service agreements with these NTF Fund issuers for record-keeping, shareholder services, and other administrative and distribution services. If we select NTF Funds for clients, those purchases will not generate soft-dollar commission credits. When selecting funds for client accounts, we select funds we believe will best serve client needs and which, in our judgment, achieve overall best execution, without regard to whether the fund creates soft-dollar commission credits. The inherent conflicts of interest present in soft-dollar arrangements described above also apply to fund selection.

Brokerage for Client Referrals

We do not recommend brokerage or custodial services in exchange for referrals.

Directed Brokerage

We do not generally permit clients to direct brokerage outside of our recommended custodian. This means that while the client is ultimately responsible for selecting and/or approving the account custodian, we do not execute orders based on trade-by-trade instructions from the client. We typically execute orders through the facilities of the selected custodian, but may execute through other broker-dealers if we believe that will result in the best overall execution.

Because we recommend a specific custodian and then tend to execute investment transactions on a discretionary basis, typically through that custodian, we are effectively requiring that clients "direct" their brokerage to TD, absent other specific instructions as discussed below, or absent our decision to route that order to another broker. Because we are not usually choosing brokers on a trade-by-trade basis, we may not be able to achieve the most favorable executions for clients and this may ultimately cost clients more money. Not all investment advisers require directed brokerage.

Aggregation of Orders

In most cases, we aggregate trades where we determined that aggregation is likely to result in better execution prices or lower commission costs to clients. We are not obligated to include any client account in a block trade. No client

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participating in a block trade will be favored over any other client that also participates in the same block trade, including Associated Persons of Financial Advantage.

When it is advantageous to clients and can be accomplished efficiently, we may aggregate purchase or sale orders for a security for the accounts of multiple clients into a single transaction, often referred to as a “block” or “bunched” trade. In a block trade, each participating client receives a price that represents the average of the prices at which we executed all of the transactions in that block. Block trades can lower transaction costs and/or help clients achieve better execution. Accounts participating in a block trade share transactions costs on an equal and pro rata basis. If the order is not completely filled, the securities purchased or sold are distributed among participating clients on a pro rata basis or in some other equitable manner.

Cross Transactions

We occasionally complete cross transactions on behalf of clients. This occurs when selling a security from the account of one client and buying it in the account of another without entering an open-market transaction. We will process cross transactions when we decide the Accounts involved would likely receive better overall execution through a cross. This applies most frequently with thinly-traded or limited-market securities and is generally initiated because one client needs to liquidate an investment we are not currently recommending for sale and another client wishes to purchase that security.

Item 13 - Review of Accounts

Account Reviews

For those clients to whom Financial Advantage provides investment management services, we monitor portfolios as part of an ongoing process, while regular account reviews are conducted on at least a quarterly basis. For those clients to whom Financial Advantage provides financial planning services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of Financial Advantage’s investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Financial Advantage and to keep Financial Advantage informed of any changes thereto. Financial Advantage contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

Review Triggers

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client’s own situation.

General Reports and Account Statements

Unless otherwise agreed, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian holding the Accounts. As agreed, Investment Management clients may also receive client-specific reports from us that include account and/or market-related information such as an inventory of account holdings, cash flow, and account performance on a quarterly basis. We urge clients to carefully compare the account statements they receive from their custodian with those they receive from Financial Advantage and ask that they notify us of any discrepancies.

Financial Planning Reports

Financial planning clients will receive reports from us summarizing our analysis and conclusions, as requested by the client or as otherwise indicated in the Agreement.

Item 14- Client Referrals and Other Compensation

Client Referrals & Solicitor Arrangements

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We do not maintain any solicitor or other referral arrangements, in which a third-party introduces clients to us and we pay that third-party a portion of our Advisory Fee. Similarly, we do not have any arrangements to refer clients to others.

Other Economic Benefit

As disclosed under Item 12, above, we participate in TD's Institutional program and we recommend TD to our clients for custody and brokerage services. There is no direct link between our participation in the Institutional program and the investment advice we give to clients, though we do receive economic benefits that are typically not available if our clients used TD's retail investor services.

Services that benefit both Financial Advantage and clients include:

- Software that allows us to construct, manage, and re-balance client accounts in accordance with our Strategies;
- Provide access to client account data (such as duplicate trade confirmations and account statements);
- Provide pricing and other market data;
- Research-related products and tools;
- Access to a trading desk, and access to block trading and aggregation/allocation tools;
- Assist with back-office functions, recordkeeping, and client reporting.

TD also offers other services, without cost or at a discount, that are intended to help us manage and further develop our business enterprise and that generally benefit only us. These services include:

- Educational conferences and events (that may also include business entertainment and payment of travel and lodging costs);
- Consulting on technology, compliance, legal, and business needs;
- Publications and conferences on practice management and business succession;
- Payments, reimbursements, or discounts on business consulting or other professional services, to our advisors or executives; and
- Facilitate payment of our advisory fees from clients' accounts;
- Support back-office and investment management efficiencies

The availability of these services from TD is not contingent on any commitment on our part with respect to brokerage commissions, loads, or transactions fees. The receipt of these services benefits Financial Advantage because we do not have to produce or purchase them independently. A conflict of interest arises if we recommend TD to clients based on our interest in receiving these benefits rather than based on clients' interests in receiving the best value in custody services and/or the most favorable transaction execution. When recommending custodial broker-dealers to clients, however, we do so based on the scope, quality and pricing of the broker-dealer's services independent of any benefits we may receive.

Item 15 - Custody

The Agreement as well as our agreement with the custodian, authorizes Financial Advantage, or as applicable the custodian on Financial Advantage's behalf, to debit the client's Account for all fees described in the Agreement. We also facilitate payments clients authorize to third parties pursuant to standing letters of authorization. These activities are defined as "custody" under SEC Rule 206(4)2 (the "**Custody Rule**"), and related guidance from the SEC. Aside from these limited forms of custody, Financial Advantage has no authority to hold, directly or indirectly, client funds or securities, or has any authority to obtain possession of them.

To comply with our obligation under the Custody rule, the custodian we recommended has agreed to send a statement to clients, at least quarterly, indicating all amounts disbursed from the account, including the amount of Advisory Fees and

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Sub-Adviser Fees paid directly to Financial Advantage or to any Sub-Advisers. The custodian has also agreed to verify the terms and content of third-party standing letters of authorization and to permit clients to change these authorizations as they choose to.

As discussed in Item 13, Financial Advantage also sends periodic supplemental reports to clients. We urge clients to carefully review the statements sent directly by the custodian and compare them to those received from Financial Advantage.

Item 16 - Investment Discretion

Our Investment Management Services are provided on a discretionary basis. Clients must execute our discretionary Agreement, which contains a limited power of attorney permitting us to trade on the client's behalf. Clients will also usually need to execute authorizations required by the custodian before we may begin trading on a discretionary basis. Clients may request a limitation on our discretionary authority (such as certain securities not to be bought or sold) and we retain the right to accept or reject such limits.

Item 17 - Voting Client Securities

Financial Advantage does not vote client securities on behalf of its clients. Clients receive proxies directly from their custodian and may contact us using the contact information on the cover of this Brochure with any questions they have about proxies.

Item 18 - Financial Information

We are not required to disclose any financial information pursuant to this Item because: (1) we do not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance; (2) we do not have a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients; and (3) we have not been the subject of a bankruptcy petition at any time during the past ten years.