



Capital Advantage, Inc.

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Item 1 – Cover Page

This Brochure provides information about the qualifications and business practices of Capital Advantage, Inc. If you have any questions about the contents of this Brochure, please contact Capital Advantage, Inc. at 925.299.1500 or info@capitaladvantage.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Capital Advantage, Inc. is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Capital Advantage, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

Capital Advantage, Inc.'s Brochure contains a Material Changes section, in which, you will find a summary of all material changes made to their Brochure since it's last annual amendment filing. Please direct any questions you may have regarding Capital Advantage, Inc.'s Brochure to Dawnalizabeth Henke, Capital Advantage, Inc.'s Chief Compliance Officer.

Capital Advantage, Inc. has amended this Disclosure Brochure to indicate its firm may select or recommend certain independent managers to assist with management of client accounts.

Capital Advantage, Inc. encourages all current and prospective clients to review this brochure in its entirety.

Capital Advantage, Inc. will provide clients access to a new Brochure as necessary based on changes or new information, at any time, without charge.

Capital Advantage, Inc.'s Brochure may be requested by contacting Dawnalizabeth Henke, Chief Compliance Officer, at 925.299.1500 or info@capitaladvantage.com. Capital Advantage, Inc.'s Brochure is also available on their web site www.capitaladvantage.com, free of charge.

Additional information about Capital Advantage, Inc. is also available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with Capital Advantage, Inc. who are registered as investment adviser representatives of Capital Advantage, Inc.

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Item 4 – Advisory Business

Capital Advantage, Inc., a California corporation, is a SEC registered investment adviser, initially registered in September 1998. Capital Advantage, Inc. offers a combination of advisory services, broadly described as Investment Management Services and Financial Planning Services, as more fully described below.

Capital Advantage, Inc.'s Founder, President, and principal owner is John S. Hayman.

Capital Advantage, Inc. offers two types of investment advisory services:

(a) Investment Management Services

Capital Advantage, Inc. provides discretionary management of client assets. Through personal discussions with the client, Capital Advantage, Inc. establish the client's financial goals and objectives based on their unique circumstances. Capital Advantage, Inc. helps the client develop their personal investment strategy based upon their financial goals, investment objectives and risk tolerance, and manage the portfolio based on the agreed upon strategy. When Capital Advantage, Inc. selects the investments for the client's portfolio, they are guided by the client's specifications, which may include capital appreciation, growth, income, growth and income or some other variation.

Clients may impose reasonable restrictions on investing in certain securities or types of securities. Capital Advantage, Inc. requires that such restrictions be included in a written authority statement (generally as part of the client's Investment Advisory Agreement with Capital Advantage, Inc. and as amended from time to time). Clients may update these restrictions as desired by submitting a request in writing (hard copy or electronic).

Item 5, "Fees and Compensation" provides additional information regarding how and when Capital Advantage, Inc. charges management fees.

(b) Financial Planning Services

Capital Advantage, Inc. may also provide clients with financial planning advice for no additional fee if requested and engaged to do so. Capital Advantage, Inc. gathers required information through in-depth personal interviews with the client. Capital Advantage, Inc. may ask the client about their current financial status, future goals, and attitudes towards risk. Capital Advantage, Inc. carefully reviews any appropriate documentation that clients provide. In general, financial planning discussions may address any or all of the following areas that may be of concern to the client:

1. Personal: Budgeting, personal liability, estate information, marital status changes, and financial goals.
2. Education: Education IRAs, financial aid, state savings plans, grants and general assistance in preparing to meet the client's dependents continuing educational needs.
3. Investment Tax and Cash Flow: Income tax planning and spending analysis. For example, Capital Advantage, Inc. may illustrate the impact of various investments on the client's current income tax and future tax liability.
4. Death and Disability: Cash needs at death, income needs of surviving dependents, inheritance and estate planning, and disability income analysis.
5. Retirement: Analysis of current strategies and investment plans to help the client achieve their retirement goals.
6. Investment: Analysis, allocation and planning of investment selections, and their effect on the client's portfolio.

Clients may terminate the Financial Planning & Consulting Agreement at any time.

If clients choose to implement the recommendations discussed in the financial planning consultation, Capital Advantage, Inc. highly recommends that they also work closely with their attorney, accountant, and/or insurance agent. Implementation of financial planning recommendations is entirely at the client's discretion. Capital Advantage, Inc. may recommend service providers to help the client implement recommendations. Clients are under no obligation to engage the services of any recommended professional. If the client engages any professional (i.e., attorney, accountant, insurance agent, etc.), recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional(s), and not Capital Advantage, Inc., shall be responsible for the quality and competency of the services provided. It remains the client's responsibility to notify

Capital Advantage, Inc. promptly if there is ever any change in their financial situation or investment objectives so that Capital Advantage, Inc. can review, and if necessary, revise its previous recommendations or services.

Neither Capital Advantage, Inc., nor any of its representatives, serves as an attorney, accountant, or insurance agent, and no portion of Capital Advantage, Inc.'s services should be viewed as legal or accounting services. Capital Advantage, Inc. financial planning recommendations are not limited to any specific product or service offered by a broker dealer or insurance company. All recommendations are of a generic nature.

(c) Total Client Assets under Management

As of December 31, 2022, the calculated amount of client assets managed by Capital Advantage, Inc. was approximately \$905,171,206 on a discretionary basis. Capital Advantage, Inc. does not manage assets on a non-discretionary basis.

(d) Miscellaneous

Wrap Fees. Capital Advantage, Inc. does not participate in wrap fee programs.

Investment Risk. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Capital Advantage, Inc.) will be profitable or equal any specific performance level(s).

Retirement Rollovers - Potential for Conflict of Interest. A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Capital Advantage, Inc. recommends that a client roll over their retirement plan assets into an account to be managed by Capital Advantage, Inc., such a recommendation creates a conflict of interest if Capital Advantage, Inc. will earn new (or increase its current) compensation as a result of the rollover. If Capital Advantage, Inc. provides a recommendation as to whether a client should engage in a rollover or not, (whether it is from an employer's plan or an existing IRA), Capital Advantage, Inc. is acting as a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. No client is under any obligation to roll over retirement plan assets to an account managed by Capital Advantage, Inc., whether it is from an employer's plan or an existing IRA.

Cash Positions. Capital Advantage, Inc. continues to treat cash as an asset class. As such, unless determined to the contrary by Capital Advantage, Inc., all cash positions (money markets, etc.) shall continue to be included as part of assets under management for purposes of calculating Capital Advantage, Inc.'s advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), Capital Advantage, Inc. may maintain cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. Depending upon current yields, at any point in time, Capital Advantage, Inc.'s advisory fee could exceed the interest paid by the client's money market fund.

Cash Sweep Accounts. Account custodians generally require that cash proceeds from account transactions or cash deposits be swept into and/or initially maintained in the custodian's sweep account. The yield on the sweep account is generally lower than those available in money market accounts. To help mitigate this issue, Capital Advantage, Inc. generally purchases a higher yielding money market fund available on the custodian's platform with cash proceeds or deposits, unless Capital Advantage, Inc. reasonably anticipates that it will utilize the cash proceeds during the subsequent 30-day period to purchase additional investments for the client's account. Exceptions and/or modifications can and will occur with respect to all or a portion of the cash balances for various reasons, including, but not limited to, the amount of dispersion between the sweep account and a money market fund, an indication from the client of an imminent need for such cash, or the client has a demonstrated history of writing checks from the account.

Socially Responsible Investing Limitations. Socially Responsible Investing involves the incorporation of Environmental, Social and Governance considerations into the investment due diligence process ("ESG"). There are potential limitations associated with allocating a portion of an investment portfolio in ESG securities (i.e., securities that have a mandate to avoid, when possible, investments in such products as alcohol, tobacco, firearms, oil drilling, gambling, etc.). The number of these securities

may be limited when compared to those that do not maintain such a mandate. ESG securities could underperform broad market indices. Investors must accept these limitations, including potential for underperformance. Correspondingly, the number of ESG mutual funds and exchange traded funds are few when compared to those that do not maintain such a mandate. As with any type of investment (including any investment and/or investment strategies recommended and/or undertaken by Capital Advantage, Inc.), there can be no assurance that investment in ESG securities or funds will be profitable or prove successful. Capital Advantage, Inc. does not maintain or advocate an ESG investment strategy but will seek to employ ESG if directed by a client to do so.

Use of Mutual and Exchange Traded Funds. Capital Advantage, Inc. utilizes mutual funds and exchange traded funds for its client portfolios. Most mutual funds and exchange-traded funds are available directly to the public. Therefore, a prospective client can obtain many of the funds that may be utilized by Capital Advantage, Inc. independent of engaging the firm as an investment advisor. However, if a prospective client determines to do so, he/she will not receive Capital Advantage, Inc.'s initial and ongoing investment advisory services.

In addition to Capital Advantage, Inc.'s investment advisory fee described below, and transaction and/or custodial fees discussed below, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g., management fees and other fund expenses).

Portfolio Activity. Capital Advantage, Inc. has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Capital Advantage, Inc. will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including but not limited to investment performance, fund manager tenure, style drift, account additions/withdrawals, the client's financial circumstances, and changes in the client's investment objectives. Based upon these and other factors, there may be extended periods of time when Capital Advantage, Inc. determines that changes to a client's portfolio are neither necessary nor prudent. Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity. Notwithstanding, there can be no assurance that investment decisions made by Capital Advantage, Inc. will be profitable or equal any specific performance level(s).

Client Obligations. In performing its services, Capital Advantage, Inc. is not required to verify any information received from the client or from the client's other professionals. It remains the client's responsibility to notify Capital Advantage, Inc. promptly if there is ever any change in their financial situation or investment objectives so that Capital Advantage, Inc. can review, and if necessary, revise its previous recommendations or services.

Account Aggregation Reporting. Capital Advantage, Inc. may also provide periodic comprehensive reporting services that can incorporate all of the client's investment assets, including those investment assets that are not part of the assets managed by Capital Advantage, Inc. (the "Excluded Assets"). The client and/or his/her/its other advisors that maintain trading authority, and not Capital Advantage, Inc., shall be exclusively responsible for the investment performance of the Excluded Assets. Unless otherwise specifically agreed to, in writing, Capital Advantage Inc.'s service relative to the Excluded Assets is limited to reporting only. The sole exception to the above shall be if Capital Advantage, Inc. is specifically engaged to monitor and/or allocate the assets within the client's 401(k) account maintained away at the custodian directed by the client's employer. As such, except with respect to the client's 401(k) account (if applicable), Capital Advantage, Inc. does not maintain any trading authority for the Excluded Assets. Rather, the client and/or the client's designated other investment professional(s) maintain supervision, monitoring and trading authority for the Excluded Assets. If Capital Advantage, Inc. is asked to make a recommendation as to any Excluded Assets, the client is under absolutely no obligation to accept the recommendation, and Capital Advantage, Inc. shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that Capital Advantage, Inc. provide investment management services for the Excluded Assets, the client may engage Capital Advantage, Inc. to do so pursuant to the terms and conditions of the Investment Advisory Agreement between Capital Advantage, Inc. and the client.

ERISA Plan & 401(k) Individual Engagements:

Trustee Directed Plans. Capital Advantage, Inc. may be engaged to provide discretionary investment advisory services to ERISA retirement plans, whereby the Firm shall manage Plan assets consistent with the investment objective designated by the Plan trustees. In such engagements, Capital Advantage, Inc. will serve as an investment fiduciary as that term is defined under The Employee Retirement Income Security Act of 1974

("ERISA"). Capital Advantage, Inc. will generally provide services on an "assets under management" fee basis per the terms and conditions of an *Investment Advisory Agreement* between the Plan and the Firm.

Client Retirement Plan Assets. If requested to do so, Capital Advantage, Inc. shall provide investment advisory services relative to 401(k) plan assets maintained by the client in conjunction with the retirement plan established by the client's employer. In such event, Capital Advantage, Inc. shall allocate (or recommend that the client allocate) the retirement account assets among the investment options available on the 401(k) platform. Capital Advantage, Inc.'s ability shall be limited to the allocation of the assets among the investment alternatives available through the plan. Capital Advantage, Inc. will not receive any communications from the plan sponsor or custodian, and it shall remain the client's exclusive obligation to notify Capital Advantage, Inc. of any changes in investment alternatives, restrictions, etc. pertaining to the retirement account. Unless expressly indicated by the Capital Advantage, Inc. to the contrary, the client's 401(k) plan assets shall be included as assets under management for purposes of Capital Advantage, Inc. calculating its advisory fee. Capital Advantage, Inc. does not maintain possession of client retirement account login credentials.

Independent Managers. Capital Advantage, Inc. may allocate a portion of the client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the Independent Manager(s) shall have day-to-day responsibility for the active discretionary management of the allocated assets. Capital Advantage, Inc. shall continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors that Capital Advantage, Inc. shall consider in recommending Independent Manager(s) include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

The investment management fee charged by the Independent Manager(s) is separate from, and in addition to, Capital Advantage, Inc.'s investment advisory fee disclosed at Item 5 below, which fee will be disclosed to the client before entering into the Independent Manager(s) engagement and/or subject to the terms and conditions of a separate agreement between the client and the Independent Manager(s).

Cybersecurity Risk. The information technology systems and networks that Capital Advantage, Inc. and its third-party service providers use to provide services to Capital Advantage, Inc.'s clients employ various controls, which are designed to prevent cybersecurity incidents stemming from intentional or unintentional actions that could cause significant interruptions in Capital Advantage, Inc.'s operations and result in the unauthorized acquisition or use of clients' confidential or non-public personal information. Clients and Capital Advantage, Inc. are nonetheless subject to the risk of cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost and reputational damage to respond to regulatory obligations, other costs associated with corrective measures, and loss from damage or interruption to systems. Although Capital Advantage, Inc. has established its systems to reduce the risk of cybersecurity incidents from coming to fruition, there is no guarantee that these efforts will always be successful, especially considering that Capital Advantage, Inc. does not directly control the cybersecurity measures and policies employed by third-party service providers. Clients could incur similar adverse consequences resulting from cybersecurity incidents that more directly affect issuers of securities in which those clients invest, broker-dealers, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions.

Item 5 – Fees and Compensation

The specific manner in which fees are charged by Capital Advantage, Inc. is established in a written agreement between each client and Capital Advantage, Inc. Capital Advantage, Inc. offers investment advisory services for a percentage of assets under management. All fees are subject to negotiation.

Capital Advantage, Inc. generally bills its fees within one month of the end of each calendar quarter, payable in arrears. Billing adjustments are made on a prorated basis for all inflows and outflows during the billing period. Unless otherwise arranged, Capital Advantage, Inc. directly debit fees from client accounts. Management fees are based on the total value of the client's accounts, including cash and accrued interest, and are prorated for each capital contribution and withdrawal made during the applicable calendar quarter. Accounts initiated during a calendar quarter will be charged a prorated fee, and for accounts that are terminated, the fee will be prorated to the date of termination.

Fees for investment management services are generally assessed in accordance with the following fee schedule:

- 1.00% on the first \$2,000,000 Assets under Management;
- 0.90% on the next \$2,000,001 - \$3,000,000 Assets under Management;
- 0.85% on the next \$3,000,001 - \$4,000,000 Assets under Management;
- 0.75% on the next \$4,000,001 - \$5,000,000 Assets under Management;
- 0.70% on the next \$5,000,001 - \$10,000,000 Assets under Management;
- 0.50% on the balance over \$10,000,000 Assets under Management

Fee Dispersion: Capital Advantage, Inc., in its discretion, may charge a lesser investment advisory fee, waive or modify its portfolio minimum or its minimum annual fee, charge a flat fee, waive its fee entirely, or charge its fee on a different interval, based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, complexity of the engagement, anticipated services to be rendered, grandfathered fee schedules, employees and family members, courtesy accounts, competition, negotiations with client, etc.).

As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees.

In the event that the client is subject to a minimum quarterly fee, the client could pay a higher percentage fee than referenced above.

Capital Advantage, Inc. has a minimum account fee for investment management services of \$1,125 per quarter. The minimum fee may be waived. Criteria commonly used to adjust the minimum fee are:

1. Date of acquisition
2. Additional services requested
3. Account investment objective
4. Prospective additional business
5. Amount of assets under management
6. Legacy fee arrangements

Capital Advantage, Inc.'s fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses, which clients remain responsible for paying. Clients may also incur certain charges imposed by custodians, brokers, third party investment advisers and other third parties such as custodial fees, 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. These fees and expenses are in addition to Capital Advantage, Inc.'s fee. Capital Advantage, Inc. and its supervised persons do not receive any portion of these fees and expenses. Nor does it receive compensation from the sale of any securities or investment products. Clients engaging Independent Manager(s) will incur additional investment advisory fees.

Capital Advantage, Inc. implements the client's investment strategy by investing in various types of securities, including mutual funds and exchange traded funds. Mutual funds and exchange-traded fund investors incur additional fees and expenses that are borne by each shareholder (i.e., management fees) and are disclosed in each fund's prospectus. Clients could invest in a mutual fund or exchange-traded fund directly, without the services of Capital Advantage, Inc. In that case, clients would not receive the services provided by Capital Advantage, Inc., which are designed, among other things, to assist the client in determining which securities are most appropriate for their individual financial situation and investment strategy.

Capital Advantage, Inc. has set its rates to take into consideration these additional charges - if any. However, Capital Advantage, Inc. recommends that clients review the fees charged by the funds, custodians and broker dealers and the fees charged by Capital Advantage, Inc. to fully understand the total amount of fees to be paid by the client and to evaluate the advisory services being provided.

Item 12, "Brokerage Practices" further describes the factors that Capital Advantage, Inc. considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (i.e., commissions).

Item 6 – Performance-Based Fees and Side-By-Side Management

Registered investment advisers are required to disclose all material facts regarding performance-based fees and the simultaneous management of accounts that may have alternative fee arrangements. Capital Advantage, Inc. does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). Furthermore, Capital Advantage, Inc. has procedures designed and implemented to ensure that all of its clients are treated fairly and equally, and to help prevent conflicts from influencing the allocation of investment opportunities among its clients.

Item 7 – Types of Clients

Capital Advantage, Inc. offers its advisory services to individuals, high net worth individuals, trustees, pension and profit-sharing plans, charitable organizations and corporations or other business entities.

Participation in advisory services requires a minimum portfolio size of \$500,000. The minimum portfolio size of \$500,000 may be waived for Capital Advantage, Inc. clients based on individual client circumstances. Additionally, certain related accounts may be aggregated for the purpose of achieving the minimum account size.

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

Capital Advantage, Inc. reviews several indicators to ascertain when and if these indicators support the purchase or sale of specific types of investments for its client portfolios. Some of the indicators that Capital Advantage, Inc. may use in decision-making process include investor sentiment, money supply, consumer confidence, consumption and distribution, inventories and orders, housing and inflation, employment, yield curve/ interest rates, monetary policy, and political factors, among others.

Capital Advantage, Inc. uses a variety of methods to evaluate the overall financial market, market sectors, mutual funds, and other various types of securities. Depending upon the type of investment, Capital Advantage, Inc. will use a combination of fundamental and technical analysis. Fundamental analysis involves analyzing real data, including overall economic and company-specific information available to determine the value of a particular investment. Technical analysis involves analyzing statistics provided by market activity such as past prices and volume to identify patterns in an effort to predict future activity. In performing these analyses, Capital Advantage, Inc. completes its own internal research and analysis, consult company annual reports and other regulatory filings, review financial newspapers and periodicals, as well as receive research and analysis from third parties such as Charles Schwab & Co., Inc. ("Schwab"), Morningstar and Value Line.

Capital Advantage, Inc. invests in various asset classes, including mutual funds, exchange traded funds, individual equities, individual corporate and municipal bonds, CDs and other investment products, if appropriate. The client will retain ownership of all securities. Capital Advantage, Inc. allocates assets among various investments taking into account the client's overall investment strategy.

All securities investments carry risk, including the risk that an investor may lose a part or all of his or her initial investment. Risk refers to the uncertainty that the actual return the investor realizes could differ from the expected return. Risks may be systematic, referring to factors that affect the returns on all comparable investments and that affect the market as a whole. Systematic risks include market risk, interest rate risk, reinvestment rate risk, purchasing power risk and exchange rate risk. Unsystematic risks depend on factors that are unique to the specific investment security. These risks include business risk and financial risk.

Some of the general risks associated with parts of Capital Advantage, Inc.'s investment strategy include:

1. **Short-Term Purchases:** On occasion, and generally only for tax management purposes, Capital Advantage, Inc. may determine to buy or sell securities in a client account and hold them for less than one year. Some of the risks associated with short-term trading that could affect investment performance are increased commissions and transaction costs to the account and increased tax obligations on the gains in a security's value.

2. **Fixed Income and Bond Pricing:** Fixed income investing involves credit risk, interest rate risk (when interest rates rise, bond/fund prices generally fall), and inflation or reinvestment risks. Below-investment-grade ("junk") bonds are more at risk of default than other bond investments and are subject to liquidity risk. The price of bonds depends in part on the current rate of interest. Rising interest rates decrease the current price of bonds because current purchasers require a competitive yield. As such, decreasing interest rates increase the current value of bonds with associated decrease in bond yield. Capital Advantage, Inc. may decide to exchange to a lower or higher duration bond or to another asset class due to interest rate risk that could affect investment performance.
3. **Inflation:** Inflation is the loss of purchasing power through a general rise in prices. If an investment portfolio is designed for current income with a real rate of return of 4% and inflation were to rise to 5% or higher, the account would result in a loss of purchasing power and create a negative real rate of return.
4. **Price Fluctuation:** Security prices do fluctuate (except for cash or cash equivalents) and the client must accept the risk associated with fluctuations or change to a more appropriate investment objective in alignment with the client's risk tolerance. Investing in securities involves risk of loss that the client should be prepared to bear.
5. **Reinvestment of Dividends:** An investor can choose to reinvest interest, dividends, and capital gains to accumulate wealth. This is an appropriate strategy for a portfolio designed for capital growth. However, the reinvested earnings could result in a lower or a higher rate than was initially earned.
6. **Mutual Funds with Foreign Asset Holdings:** Any investments in mutual funds that make foreign investments entail special risks (such as currency fluctuations and political factors) and may have higher expenses and volatility. Investments in emerging and developing markets may be especially volatile. The client will bear more risk and may earn a substantially higher return or a substantially lower return.

Should clients choose to follow high-risk strategies, they may incur significant losses, including losses that exceed the amount of initial investment. Capital Advantage, Inc. strongly recommends that clients diversify their investments and not commit all of their assets to high-risk investment strategies.

Borrowing Against Assets/Risks. A client who has a need to borrow money could determine to do so by using:

- Margin - The account custodian or broker-dealer lends money to the client. The custodian charges the client interest for the right to borrow money, and uses the assets in the client's brokerage account as collateral; and,
- Pledged Assets Loan - In consideration for a lender (i.e., a bank, etc.) to make a loan to the client, the client pledges its investment assets held at the account custodian as collateral

These above-described collateralized loans are generally utilized because they typically provide more favorable interest rates than standard commercial loans. These types of collateralized loans can assist with a pending home purchase, permit the retirement of more expensive debt, or enable borrowing in lieu of liquidating existing account positions and incurring capital gains taxes. However, such loans are not without potential material risk to the client's investment assets. The lender (i.e., custodian, bank, etc.) will have recourse against the client's investment assets in the event of loan default or if the assets fall below a certain level. For this reason, Capital Advantage, Inc. does not recommend such borrowing unless it is for specific short-term purposes (i.e., a bridge loan to purchase a new residence). Capital Advantage, Inc. does not recommend such borrowing for investment purposes (i.e., to invest borrowed funds in the market). Regardless, if the client was to determine to utilize margin or a pledged assets loan, the following economic benefits would inure to Capital Advantage, Inc.:

- by taking the loan rather than liquidating assets in the client's account, Capital Advantage, Inc. continues to earn a fee on such Account assets; and,
- if the client invests any portion of the loan proceeds in an account to be managed by Capital Advantage, Inc., Capital Advantage, Inc. will receive an advisory fee on the invested amount; and,
- if Capital Advantage, Inc.'s advisory fee is based upon the higher margined account value, Capital Advantage, Inc. will earn a correspondingly higher advisory fee. This could provide Capital Advantage, Inc. with a disincentive to encourage the client to discontinue the use of margin.

The client must accept the above risks and potential corresponding consequences associated with the use of margin or a pledged assets loan.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the client's evaluation of Capital Advantage, Inc. or the integrity of Capital Advantage, Inc.'s management. Capital Advantage, Inc. has no information applicable to this Item, as no disciplinary history exists for Capital Advantage, Inc. and/or its associated persons.

Item 10 – Other Financial Industry Activities and Affiliations

Registered investment advisers are required to disclose all material facts regarding other financial industry activities and affiliations that could be material to the client's evaluation of Capital Advantage, Inc. and Capital Advantage, Inc.'s management.

Capital Advantage, Inc. is not involved in any business activities that could be material to the client's evaluation of Capital Advantage, Inc. and Capital Advantage, Inc.'s management.

Item 11 – Code of Ethics

Capital Advantage, Inc. has adopted a Code of Ethics for all its supervised persons describing its high standard of business conduct and fiduciary duty to its clients and compliance with applicable securities laws. Capital Advantage, Inc.'s Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Capital Advantage, Inc. must acknowledge the terms of the Code of Ethics annually, or as amended.

Capital Advantage, Inc. anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Capital Advantage, Inc. has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Capital Advantage, Inc., its affiliates and/or clients, directly or indirectly, have a position of interest. Capital Advantage, Inc.'s employees and persons associated with Capital Advantage, Inc. are required to follow Capital Advantage, Inc.'s Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Capital Advantage, Inc. and its affiliates may trade for their own accounts in securities that are recommended to or purchased for Capital Advantage, Inc.'s clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Capital Advantage, Inc. will not interfere with (i) making decisions in the best interest of clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of ethics, certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Capital Advantage, Inc.'s clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Capital Advantage, Inc. and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Capital Advantage, Inc.'s obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Capital Advantage, Inc. will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

Capital Advantage, Inc.'s clients or prospective clients may request a copy of Capital Advantage, Inc.'s Code of Ethics by contacting Dawnalizabeth Henke, Chief Compliance Officer, at 925.299.1500 or info@capitaladvantage.com.

It is Capital Advantage, Inc.'s policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Capital Advantage, Inc. will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.

Item 12 – Brokerage Practices

In the event that the client requests that Capital Advantage, Inc. recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Capital Advantage, Inc. to use a specific broker-dealer/custodian), Capital Advantage, Inc. generally recommends that accounts be maintained at Schwab or Fidelity. Prior to engaging Capital Advantage, Inc. to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with Capital Advantage, Inc. setting forth the terms and conditions under which Capital Advantage, Inc. shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Capital Advantage, Inc. considers in recommending Schwab or Fidelity (or any other broker-dealer/custodian to clients) include historical relationship with Capital Advantage, Inc., financial strength, reputation, execution capabilities, pricing, research, and service. In addition, Capital Advantage, Inc. maintains a referral relationship with Schwab, discussed below. Although the commissions and transaction fees paid by Capital Advantage, Inc.'s clients comply with Capital Advantage, Inc.'s duty to seek best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to affect the same transaction. In these instances, Capital Advantage, Inc. generally will be required to determine, in good faith, that the additional charge is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Capital Advantage, Inc. will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are in addition to Capital Advantage, Inc.'s investment management fee. Capital Advantage, Inc.'s best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

Research and Additional Benefits. Although not a material consideration when determining whether to recommend that a client use the services of a particular broker-dealer/custodian, Capital Advantage, Inc. may receive from Schwab and Fidelity (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products that assist Capital Advantage, Inc. to better monitor and service client accounts at these institutions. Capital Advantage, Inc. may also receive investment-related research, pricing information, market data, software and other technology that provide access to client account data. It can also take advantage of compliance and practice management-related publications, discounted or free consulting services, discounted or free attendance at conferences, meetings, and other educational and social events. From time to time, Capital Advantage, Inc. may also be offered marketing support, computer hardware or software, and other products that further its investment advisory business operations. There is no corresponding commitment made by Capital Advantage, Inc. to Schwab or Fidelity or any other any entity to invest any specific amount or a percentage of client assets in any specific securities or other investment products as a result of this arrangement.

Schwab Referrals. Capital Advantage, Inc. has received client referrals from Schwab through prior participation in the Schwab Advisor Network™ ("the Service"). Schwab is a broker-dealer independent of and unaffiliated with Capital Advantage, Inc. Schwab does not supervise Capital Advantage, Inc. and has no responsibility for Capital Advantage, Inc.'s management of clients' portfolios or Capital Advantage, Inc.'s other advice or services.

Capital Advantage, Inc. pays Schwab a "Participation Fee" on all previously referred clients' accounts maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Capital Advantage, Inc. is a percentage of the fees owed by the client to Capital Advantage, Inc. or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. Capital Advantage, Inc.

pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to Capital Advantage, Inc. quarterly and may be increased, decreased, or waived by Schwab from time to time. The Participation Fee is paid by Capital Advantage, Inc. and not by the client. Capital Advantage, Inc. has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs Capital Advantage, Inc. charges clients with similar portfolios who were not referred through the Service.

Capital Advantage, Inc. generally pays Schwab a "Non-Schwab Custody Fee" if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab, unless the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed in custody other than at Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Capital Advantage, Inc. generally would pay in a single year. Thus, Capital Advantage, Inc. will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees are based on assets in accounts of Capital Advantage, Inc.'s clients who were referred by Schwab and those referred clients' family members living in the same household. Therefore, Capital Advantage, Inc. has an incentive to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit Capital Advantage, Inc.'s fees directly from the accounts.

Capital Advantage, Inc. acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for Capital Advantage, Inc.'s other clients. Therefore, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

Capital Advantage, Inc. has terminated its participation in the Service and shall not receive any new referrals from Schwab. However, Capital Advantage, Inc. shall continue to pay Schwab a Participation Fee for prior referrals.

Directed Brokerage. Capital Advantage, Inc. does not generally accept directed brokerage arrangements (when a client requires that account transactions be executed through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Capital Advantage, Inc. will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Capital Advantage, Inc. As a result, clients may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

In the event that the client directs Capital Advantage, Inc. to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Capital Advantage, Inc. Higher transaction costs adversely impact account performance.

Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

Order Aggregation. To the extent that Capital Advantage, Inc. provides investment management services to its clients, the transactions for each client account may be affected independently, unless Capital Advantage, Inc. decides to purchase or sell the same securities for several clients at approximately the same time. Capital Advantage, Inc. may combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Capital Advantage, Inc.'s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Capital Advantage, Inc. shall not receive any additional compensation or remuneration as a result of such aggregation.

Item 13 – Review of Accounts

(a) Investment Management Services:

Client accounts are reviewed by one or more of the investment adviser representatives employed by Capital Advantage, Inc. While the underlying securities within client accounts are continuously monitored, each account is reviewed at least once annually. More frequent reviews of the account may be triggered by material changes in variables such as the client's individual circumstances, deposit and withdrawal activity, market highs and lows, investment objective changes, economic factors, interest rates, political changes, and other variables.

(b) Financial Planning Services:

Financial plans, updates and special analysis work is prepared or reviewed by one or more of the investment adviser representatives employed by Capital Advantage, Inc. While reviews may occur at different stages depending on the nature and terms of the specific engagement of Capital Advantage, Inc., financial plans are typically updated as fundamental factors arise and at the client's complete discretion.

(c) Reports:

In addition to the monthly statements and confirmations of transactions that the client receives from their custodian, Capital Advantage, Inc. will provide written quarterly reports summarizing account performance, balances, and holdings. Capital Advantage, Inc. urges clients to compare the written reports prepared and provided by Capital Advantage, Inc. to those reports that they receive directly from their custodian. In addition, if the client elected to have their advisory fees debited directly from their account, Capital Advantage, Inc. urges the client to compare and review the calculation and fee paid to Capital Advantage, Inc. against valuations included in their custodial statements. Item 15 - Custody - further describes additional types and frequency of reports available.

Item 14 – Client Referrals and Other Compensation

Capital Advantage, Inc. receives economic benefits from Schwab and Fidelity. Capital Advantage, Inc., without cost (and/or at a discount), may also receive support services and products from Schwab and Fidelity. Item 12, "Brokerage Practices" further describes the support services and products that Capital Advantage, Inc. receives from Schwab and Fidelity.

Capital Advantage, Inc. may compensate non-employees or independent solicitors to provide client referrals. If a client is referred to Capital Advantage, Inc. by a promoter, this practice is disclosed to the client in writing by the promoter and Capital Advantage, Inc. pays the promoter out of its own funds—specifically, Capital Advantage, Inc. generally pays the promoter a portion of the advisory fees earned for managing the capital of the client or investor that was referred. The use of promoters is strictly regulated under applicable federal and state law. Capital Advantage, Inc.'s policy is to fully comply with applicable requirements under the Investment Advisers Act of 1940, as amended, and similar state law requirements, as applicable.

Capital Advantage, Inc. may receive client referrals from Zoe Financial, Inc through its participation in Zoe Advisor Network (ZAN). Zoe Financial, Inc is independent of and unaffiliated with Capital Advantage, Inc. and there is no employee relationship between them. Zoe Financial established the Zoe Advisor Network as a means of referring individuals and other investors seeking fiduciary personal investment management services or financial planning services to independent investment advisors. Zoe Financial does not supervise Capital Advantage, Inc. and has no responsibility for Capital Advantage, Inc.'s management of client portfolios or Capital Advantage, Inc.'s other advice or services. Capital Advantage, Inc. pays Zoe Financial an on-going fee for each successful client referral. This fee is usually a percentage of the advisory fee that the client pays to Capital Advantage, Inc. ("Solicitation Fee"). Capital Advantage, Inc. will not charge clients referred through Zoe Advisor Network any fees or costs higher than its standard fee schedule offered to its clients. For information regarding additional or other fees paid directly or indirectly to Zoe Financial Inc, please refer to the Zoe Financial Disclosure and Acknowledgement Form.

Item 15 – Custody

Under government regulations, Capital Advantage, Inc. is deemed to have custody of client assets if the client authorizes Capital Advantage, Inc. to instruct their custodian to deduct its advisory fees directly from their account. The client's custodian maintains actual custody of the assets. The client will receive account statements from the custodian that holds and maintains

their investment assets at least quarterly. These statements will be sent to the email address or postal mailing address that the client has provided to the custodian. Capital Advantage, Inc. urges clients to carefully review such statements and compare such official custodial records to the account statements that Capital Advantage, Inc. provides to them, including the calculation of Capital Advantage, Inc.'s advisory fee if directly debited, as discussed in Item 13 above. Capital Advantage, Inc.'s statements may vary from custodian statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities or dates of recognition of dividend and/or interest payments.

Item 16 – Investment Discretion

Capital Advantage, Inc. typically receives discretionary authority from clients at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objective for the particular client account. When selecting securities and determining amounts, Capital Advantage, Inc. observes the investment objectives, limitations, and restrictions of the clients for which it advises. Prior to exercising discretionary authority for client accounts, clients are required to execute a written limited power of attorney authorizing the broker dealer/custodian to execute trades initiated by Capital Advantage, Inc. For registered investment companies, Capital Advantage, Inc.'s authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Clients may impose reasonable restrictions on investing in certain securities or types of securities. Capital Advantage, Inc. requires that such restrictions be included in a written authority statement (generally as part of the client's Investment Advisory Agreement with Capital Advantage, Inc. and as amended from time to time). Clients may update these restrictions as desired by submitting a request in writing (hard copy or electronic).

Item 17 – Voting Client Securities

As a matter of firm policy and practice, Capital Advantage, Inc. does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for all securities maintained in their portfolios. Capital Advantage, Inc. may, however, provide advice to clients regarding their voting of proxies.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide clients with certain financial information or disclosures about Capital Advantage, Inc.'s financial condition. Capital Advantage, Inc. has no financial commitment that impairs Capital Advantage, Inc.'s ability to meet contractual and fiduciary commitments to its clients and has not been the subject of a bankruptcy proceeding. In addition, Capital Advantage, Inc. does not solicit or require prepayment of fees of \$1,200 or more, six months or more in advance.

Capital Advantage, Inc.'s Chief Compliance Officer, Dawnalizabeth Henke, remains available to address any questions regarding this Part 2A.