

**ADVANTAGE FUTURES LLC
AND SUBSIDIARY**

**FINANCIAL STATEMENT
AND SUPPLEMENTARY SCHEDULES
PURSUANT TO REGULATION 1.10 UNDER
THE COMMODITY EXCHANGE ACT**

December 31, 2019

AVAILABLE FOR PUBLIC INSPECTION

CFTC FORM 1-FR-FCM [0005]

OMB NO. 3038-0024

NAME OF COMPANY: ADVANTAGE FUTURES LLC [0010]	EMPLOYER ID NO: 75-3094454 [0020]	NFA ID NO: 0327359 [0030]
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: 231 South LaSalle Street, Suite 1400 Chicago, Illinois 60604 [0050]	PERSON TO CONTACT CONCERNING THIS REPORT: Carlos Rodriguez [0040] TELEPHONE NO: (312) 800-7029 [0060] E-MAIL ADDRESS: crodriguez@advantagefutures.com [0065]	

- Report for the period beginning 01-01-19 [0070] and ending 12-31-19 [0080]
- Type of report [0090] Certified [] Regular quarterly/semiannual [] Monthly 1.12 (b)
[] Special call by: _____ [] Other - Identify: _____
- Check whether [0095] Initial filing [] Amended filing
- Name of FCM's Designated Self-Regulatory Organization: CME Group, Inc. [0100]
- Name(s) of consolidated subsidiaries and affiliated companies:

Name	Percentage Ownership	Line of Business
<u>Advantage Securities LLC</u> [0110]	<u>100%</u> [0120]	<u>Broker-Dealer</u> [0130]
[0140]	[0150]	[0160]
[0170]	[0180]	[0190]
[0200]	[0210]	[0220]
[0230]	[0240]	[0250]

The futures commission merchant, or applicant for registration therefore, submitting this Form and its attachments and the person whose signature appears below represent that, to the best of their knowledge, all information contained therein is true, correct and complete. It is understood that all required item, statements and schedules are integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted. It is further understood that any intentional misstatements or omissions of facts constitute Federal Criminal Violations (see 18 U.S.C. 1001).

Signed this 27th day of February, 2019

Manual signature 

Type or print name Carlos Rodriguez

Chief Executive Officer
 General Partner

Chief Financial Officer
 Sole Proprietor

Corporate Title _____



RYAN & JURASKA LLP
Certified Public Accountants

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Sole Member and Management of Advantage Futures LLC and Subsidiary

Opinion on the Financial Statement

We have audited the accompanying consolidated statement of financial condition of Advantage Futures LLC and Subsidiary (the "Company") as of December 31, 2019 that you are filing pursuant to Regulation 1.10 under the Commodity Exchange Act, and the related notes and supplementary schedules (collectively referred to as the financial statement). In our opinion, the consolidated statement of financial position presents fairly, in all material respects, the consolidated financial position of Advantage Futures LLC and Subsidiary as of December 31, 2019 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

This financial statement is the responsibility of Advantage Futures LLC and Subsidiary's management. Our responsibility is to express an opinion on the Company's financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to Advantage Futures LLC and Subsidiary in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission, the Commodity Futures Trading Commission ("CFTC"), and the PCAOB. We have served as Advantage Futures LLC and Subsidiary's auditor since 2003.

We conducted our audit in accordance with the standards of the PCAOB and the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

Supplementary Schedules

The information contained in Schedules 1 through 8 ("the supplementary schedules") has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statement. The supplementary schedules are the responsibility of the Company's management. Our audit procedures included determining whether the supplementary schedules reconcile to the financial statement or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplementary schedules. In forming our opinion on the supplementary schedules, we evaluated whether the supplementary schedules, including their form and content, are presented in conformity with Regulation 1.10 of the Commodity Exchange Act. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the financial statement as a whole.

Ryan & Juraska LLP

Chicago, Illinois
February 26, 2020

ADVANTAGE FUTURES LLC AND SUBSIDIARY**Consolidated Statement of Financial Condition****December 31, 2019****Assets**

Cash and cash equivalents	\$	14,270,994
Cash segregated under federal and other regulations		202,151,443
Securities purchased under agreements to resell, at fair value		27,452,836
U.S. government treasury securities, at fair value		698,929
Deposits with clearing organizations		8,386,780
Receivables from:		
Affiliates		225,000
Broker-dealers and futures commission merchants		8,190,458
Customers (net of allowance for doubtful accounts of \$25,728,486)		100,355
Customers (secured delivery loans)		26,754,572
Clearing organizations		1,245,975
Other		350,948
Exchange memberships, at cost (fair value \$413,000)		955,500
Furniture, equipment, and leasehold improvements, at cost (net of accumulated depreciation and amortization of \$5,874,377)		738,155
Goodwill		100,276
Other assets		1,541,916
	\$	<u>293,164,137</u>

Liabilities and Member's Equity

Liabilities:

Payables to:		
Customers	\$	211,800,608
Noncustomers		18,025,517
Bank - secured delivery loan		16,755,000
Affiliates		6,547
Clearing Organizations		4,431
Accounts payable and accrued expenses		8,195,171
Securities sold under agreements to repurchase		10,016,450
		<u>264,803,724</u>
Liabilities subordinated to claims of general creditors		10,000,000
Member's equity		18,360,413
	\$	<u>293,164,137</u>

See accompanying notes.

ADVANTAGE FUTURES LLC AND SUBSIDIARY

Notes to Consolidated Financial Statement

December 31, 2019

1. Organization and Business

Advantage Futures LLC, (“AF”), a Delaware limited liability company, was formed on January 9, 2003. AF is a wholly owned subsidiary of Advantage Financial LLC, (the “Parent”). AF is the sole member of Advantage Securities LLC (“AS”), an Illinois limited liability company.

AF is registered as a Futures Commission Merchant (“FCM”) with the Commodity Futures Trading Commission and is a member of the National Futures Association. AF is a clearing member of all principal commodity exchanges in the United States as well as certain European exchanges. AF provides execution and clearing services for professional traders, institutional clients and individual investors. AS is registered as a broker-dealer with the Securities and Exchange Commission and is a member of Financial Industry Regulatory Authority (“FINRA”).

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of AF and AS, (collectively, the “Company”). All significant inter-company balances and transactions have been eliminated.

Revenue Recognition

The Company buys and sells futures and options contracts on behalf of its customers.

The Company recognizes revenue in accordance with FASB Account Standards Codification (“ASC”) Topic 606, Revenue from Contracts with Customers. The guidance was amended to require business entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Each time a customer enters into a buy or sell transaction, the Company charges a commission. Commissions and related clearing expenses are recorded on trade date (the date the Company fills the trade order by finding and contracting with a counterparty and confirms the trade with the customer). The Company believes that the performance obligation is satisfied on the trade date of the trade execution as there are no further performance obligations once the transactions are executed by the Company. Commission related expenses, including commissions or fees paid to internal and external parties, is recognized when earned.

Securities Valuation

Securities owned are recorded in the statement of financial condition at fair value in accordance with Accounting Standards Codification Topic 820 (“ASC 820”) - Fair Value Measurement and Disclosures (see Note 13).

Use of Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles (“US GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Management determines that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates.

Depreciation and Amortization

Depreciation of furniture and equipment is computed using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes. Leasehold improvements are amortized over the term of the associated lease for financial reporting purposes.

ADVANTAGE FUTURES LLC AND SUBSIDIARY

Notes to Consolidated Financial Statement

December 31, 2019

2. Summary of Significant Accounting Policies, continued

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in connection with the Company's purchase of AS. The Company's policy is to review goodwill for impairment on an annual basis. Management has determined that goodwill has not been further impaired for the year ending December 31, 2019.

Income Taxes

No provision has been made for federal income taxes as the taxable income or loss of the Company is included in the respective income tax return of the Parent company.

In accordance with U.S. GAAP, the Company is required to determine whether its tax positions are more likely than not to be sustained upon examination by the applicable taxing authority, based on the technical merits of the position. Generally, the Company is no longer subject to income tax examinations by major taxing authorities for the years before 2016. Based on its analysis, there were no tax positions identified by management which did not meet the "more likely than not" standard as of and for the year ended December 31, 2019.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid instruments with original maturities of three months or less at the date of acquisition.

Securities Sold Under Agreements to Repurchase and Securities Purchased Under Agreements to Resell

Transactions with broker-dealers, FCMs and other financial institutions involving securities sold under agreements to repurchase and securities purchased under agreements to resell are accounted for as collateralized financing transactions and are carried at the amounts at which the underlying securities will be subsequently repurchased or resold as specified in the respective agreements. The Company monitors the market value of the underlying collateral daily as compared to the related payable, and obtains additional cash or returns cash when appropriate. These transactions are carried at their contracted repurchase and resale amounts, plus accrued interest, as specified in the respective agreements. When additional cash is obtained or surrendered, the contract amounts are adjusted.

3. Deposits with Clearing Organizations

At December 31, 2019, deposits with clearing organizations consisted of the following:

Margin Deposits:

Securities purchased under agreements to resell, at fair value (U.S. Government treasury securities)	\$	10,126,597
Cash		5,834,230

Guarantee Deposits:

Securities purchased under agreements to resell, at fair value (U.S. Government treasury securities)		7,179,312
Cash		2,552,550
	\$	<u>25,692,689</u>

ADVANTAGE FUTURES LLC AND SUBSIDIARY

Notes to Consolidated Financial Statement

December 31, 2019

4. Segregated Assets

At December 31, 2019, assets segregated or held in separate accounts under Federal regulations included in the statement of financial condition are as follows:

Segregated for customers trading on U.S. futures exchanges:

Cash and cash equivalents	\$	164,238,419
Deposits with clearing organizations		5,834,230
Receivable from clearing organizations		1,245,975
Receivable from clearing brokers		4,256,395
Securities purchased under agreements to resell, at fair value (U.S. Government treasury securities)		<u>10,126,597</u>
	\$	<u><u>185,701,616</u></u>

Held in separate accounts for foreign futures and options customers:

Cash and cash equivalents	\$	37,913,023
Receivable from clearing brokers		3,628,127
Securities purchased under agreements to resell, at fair value (U.S. Government treasury securities)		<u>10,146,927</u>
	\$	<u><u>51,688,077</u></u>

Customers' funds, regulated under the Commodity Exchange Act, as amended (the "CEAct"), are required to be segregated from the funds of the Company and its employees. Customers' segregated funds and equities in customers' regulated trading accounts, as shown in the statement of financial condition, do not reflect the market value of options positions owned by customers and securities owned by customers and held by the Company as collateral or as margin. At December 31, 2019, the market value of net customers' options positions totaled approximately \$41.1 million. The market value of securities and spot commodities owned by customers and held by the Company totaled approximately \$15.0 million. Included in this amount is approximately \$11.3 million in U.S. Treasury securities and approximately \$3.7 million in warehouse receipts. Interest on customer owned securities accrues to the benefit of the customers.

5. Furniture, Equipment and Leasehold Improvements

At December 31, 2019, furniture, equipment, and leasehold improvements consisted of the following:

Computers, equipment and software	\$	5,376,873
Leasehold improvements		1,102,988
Furniture and fixtures		132,671
Accumulated depreciation and amortization		<u>(5,874,377)</u>
	\$	<u><u>738,155</u></u>

ADVANTAGE FUTURES LLC AND SUBSIDIARY

Notes to Consolidated Financial Statement

December 31, 2019

6. Liabilities Subordinated to Claims of General Creditors

At December 31, 2019, liabilities subordinated to claims of general creditors totaled \$10,000,000 and consisted of the following:

Lender	Amount	Effective Date	Maturity Date	Interest Rate
Affiliated individual	\$ 5,000,000	03/29/19	03/28/22	9.0% to 3/28/21, 13% thereafter
Affiliated individual	3,500,000	07/10/18	07/09/21	9.0% to 7/09/20, 13% thereafter
Affiliated individual	1,500,000	06/22/18	06/20/21	0.35% to 6/20/20, 13% thereafter
	<u>\$ 10,000,000</u>			

The subordinated borrowings are covered by agreements approved by the Chicago Mercantile Exchange and are thus available in computing net capital under the CEAct. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

7. Commitments and Contingencies

The Company conducts its operations in leased office facilities and annual rentals are charged to current operations. The lease is subject to an escalation clause based on the operating expenses of the lessor.

The approximate minimum annual rental commitments under non-cancelable operating leases as of December 31, 2019 are approximately as follows:

Year Ended December	Amount
2020	1,020,000
2021	1,040,000
2022	1,061,000
2023	537,000
	<u>\$ 3,658,000</u>

In the normal course of business, the Company is subject to various regulatory inquiries that may result in claims of potential violations of exchange rules and that may possibly involve sanctions and/or fines. These matters are rigorously defended as they arise.

ADVANTAGE FUTURES LLC AND SUBSIDIARY

Notes to Consolidated Financial Statement

December 31, 2019

7. Commitments and Contingencies (cont'd)

The Company is currently involved in the following litigation/reparation proceedings:

Advantage v. H.A.L./Hal v. Guinan

In September 2017, the Company filed a lawsuit against H.A.L. NY Holdings, LLC (“HAL”) and Ahron Feferkorn to collect a debit balance that resulted when the Company liquidated HAL’s under margined positions. HAL and Feferkorn made an offer of judgement, which the court entered in November 2017. The Court entered a modified judgment in January 2018 for approximately \$140,000. In March 2018, HAL filed a lawsuit in the U.S. District Court for the Southern District of New York against the Company’s CEO seeking damages for the liquidations at issue in the Company’s complaint against HAL and Feferkorn. The CEO is indemnified by the Company. The case was transferred to the U.S. District for the Northern District of Illinois and, on behalf of the Company’s CEO, the Company filed a motion to dismiss the complaint in December 2018 which was granted. HAL filed an appeal with the US Court of Appeals for the Seventh Circuit on May 16, 2019. Written briefing has concluded and both parties attended oral arguments on January 23, 2020. The Company is also seeking sanctions against HAL for filing a frivolous appeal. Rulings on both the appeal and motion for sanctions are pending.

Advantage v. Herm LLC, et al.

Several customers of the Company filed complaints in the CFTC Reparations office in February 2018 and the Company filed its own complaints against these customers in federal and state court in Illinois in March 2018. These complaints all relate to debit balances incurred by the customers and the Company initiating the liquidation of their under margined accounts on February 5, 2018.

The customers’ accounts at the Company were all managed by the same Commodity Trading Adviser. In the CFTC reparations proceedings, the customers allege that the Company breached unspecified fiduciary duties. The Company has sued to enforce the parties’ contracts, which requires the customers to pay any debit balances in their accounts. The customers asserted affirmative defenses in the state and federal court litigation, but based on the Company’s motion, each court struck all of their defenses. The Company filed motion for summary judgment on October 28, 2019, arguing no further discovery. The federal judge has referred all discovery issues to its designated magistrate judge with hearings scheduled for February 27, 2020. The state court litigation is currently in discovery.

As of December 31, 2019, 6 out of the 14 clients entered into settlement agreements in favor of the Company. An additional client entered into a settlement agreement in February 2020. The proceedings are ongoing with remaining parties.

In the CFTC reparations claim, the Company filed a motion to dismiss the customers’ claims. The customers have moved to amend their complaint and both motions remain under advisement. The parties await a ruling from the CFTC Judgement Officer.

ADVANTAGE FUTURES LLC AND SUBSIDIARY

Notes to Consolidated Financial Statement

December 31, 2019

7. Commitments and Contingencies (cont'd)

Advantage v. Seidenfeld

In April 2018, the Company filed a lawsuit in the U.S. District Court for the Northern District of Illinois against Aron Seidenfeld to collect the amount Seidenfeld agreed to pay the Company in a promissory note signed in February 2017 in relation to an account in which Seidenfeld personally guaranteed that incurred an approximate \$2.2 million debit. Seidenfeld filed an Answer and Affirmative Defenses in October 2018. In December 2018, the court struck Seidenfeld's Affirmative Defenses with leave to replead one of the defenses with more particularity. Seidenfeld re-pled his affirmative defense in February 2019 and the Company moved to strike that defense. The court agreed with the Company and struck the defense once again, this time with prejudice. The Company filed a Motion for Summary Judgment on February 10, 2020. Briefing is expected to be completed by March 17, 2020 and the parties will appear before the court on March 31, 2020.

Edwin Johnson v. Advantage Futures, et al.

Edwin Johnson filed a complaint against the Company in connection with a matter pending in the Circuit Court of Cook County, against the Company and two of the Company's employees. The Company filed a motion to dismiss and was successful in obtaining a dismissal for one of the employee defendants. The Company filed an Answer to the Complaint on behalf of the Company and employee. The proceedings are ongoing. In Management's opinion, it is too early to determine the likely outcome in this matter, but it is apparent that the Company has substantial defenses to Johnson's claims.

8. Employee Benefit Plan

The Company has established a salary reduction (401(k)) plan for qualified employees. This is a "Safe Harbor" plan and requires the Company to contribute at least 3% of the eligible regular earnings of qualified employees to the plan. Employee contributions made to the plan during the year ended December 31, 2019 totaled approximately \$384,000.

9. Financial Instruments

Accounting Standards Codification Topic 815 ("ASC 815"), Derivatives and Hedging, requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit risk related contingent features in derivative agreements. The disclosure requirements of ASC 815 distinguish between derivatives, which are accounted for as "hedges" and those that do not qualify for such accounting. The Company reflects derivatives at fair value and recognizes changes in fair value through the statement of operations, and as such do not qualify for ASC 815 hedge accounting treatment. The Company does not engage in the proprietary trading of derivatives.

ADVANTAGE FUTURES LLC AND SUBSIDIARY

Notes to Consolidated Financial Statement

December 31, 2019

9. Financial Instruments (cont'd)

The Company executes customer transactions in the purchase and sale of commodity futures contracts (including options on futures contracts), substantially all of which are transacted on a margin basis subject to individual exchange regulations. Such transactions may expose the Company to significant off-balance-sheet risk in the event margin requirements are not sufficient to fully cover losses that customers may incur. In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell futures contracts at prevailing market prices in order to fulfill the customer's obligations. The Company controls this risk by monitoring margin collateral levels on a daily basis for compliance with regulatory and internal guidelines and requires additional collateral when necessary. The Company requires a customer to deposit additional margin collateral, or reduce positions, if it is determined that the customer's activities may be subject to above normal market risks.

The Company is engaged in futures clearing activities in which counterparties primarily include clearing organizations, broker-dealers, other futures commission merchants and other brokers. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

10. Guarantees

Accounting Standards Codification Topic 460 ("ASC 460"), Guarantees, requires the Company to disclose information about its obligations under certain guarantee arrangements. ASC 460 defines guarantees as contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in an underlying (such as an interest or foreign exchange rate, security or commodity price, an index or the occurrence or nonoccurrence of a specified event) related to an asset, liability or equity security of a guaranteed party. This guidance also defines guarantees as contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement, as well as indirect guarantees of the indebtedness of others.

The Company is a member of various clearing organizations that clear derivatives contracts. Associated with its memberships, the Company may be required to pay a proportionate share of the financial obligations of another member who may default on its obligations to the exchange or the clearinghouse. While the rules governing different exchange or clearinghouse memberships vary, in general the Company's guarantee obligations would arise only if the exchange or clearinghouse had previously exhausted its resources. The maximum potential payout under these membership agreements cannot be estimated. The Company has not recorded any contingent liability in the statement of financial condition for these agreements and believes that any potential requirement to make payments under these agreements is remote.

11. Agreements and Related Party Transactions

Certain exchange memberships owned by members of the Parent, having an aggregate fair market value of approximately \$776,000 are registered for the use of the Company. Additionally, certain exchange memberships owned by customers, having an aggregate fair market value of approximately \$149,000 are registered for the use of the Company.

ADVANTAGE FUTURES LLC AND SUBSIDIARY

Notes to Consolidated Financial Statement

December 31, 2019

11. Agreements and Related Party Transactions (cont'd)

The Company has an expense sharing agreement with AS under which they share certain general and administrative services.

At December 31, 2019, the Company has a payable to an affiliate totaling approximately \$6,600 related to expense reimbursements. In addition, the Company has a receivable from the Parent company totaling approximately \$225,000 related to expense reimbursements.

12. Minimum Capital Requirements

The Company is subject to minimum capital requirements pursuant to Regulation 1.17 under the Commodity Exchange Act, as amended. Under Regulation 1.17, the Company is required to maintain net capital equivalent to the greater of \$1,000,000 or the sum of 8% of the customer risk maintenance margin requirement plus 8% of the non-customer risk maintenance margin requirement. In addition, the Company is subject to minimum capital requirement of the CME Group, Inc. Under the more restrictive of these rules, the Company is required to maintain net capital equivalent to the greater of \$5,000,000 or 8% of the customer risk maintenance margin requirement plus 8% of the non-customer risk maintenance margin requirement.

At December 31, 2019, under Regulation 1.17, Inc., the Company's minimum capital requirement and adjusted net capital were approximately \$4,371,000 and \$24,244,000 respectively. The minimum capital requirement under the requirements of the CME Group Inc. was \$5,000,000. The net capital rule may effectively restrict member withdrawals and the repayment of subordinated loans.

13. Fair Value Measurement and Disclosures

ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by ASC 820, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions that market participants would use in pricing the asset or liability. The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data.

ADVANTAGE FUTURES LLC AND SUBSIDIARY

Notes to Consolidated Financial Statement

December 31, 2019

13. Fair Value Measurement and Disclosures (cont'd)

At December 31, 2019, Level 1 assets consisted of the following:

Securities purchased under agreements to resell, at fair value (U.S. Government treasury securities)	\$ 27,453,000
U.S. Government treasury securities	699,000
	<u>\$ 28,152,000</u>

The Company held no Level 2 or Level 3 assets at December 31, 2019.

14. Bank Loan Payable

The Company has a \$34,000,000 revolving line of credit to facilitate the financing of certain customer delivery transactions. Borrowings, if any, under this line of credit are collateralized by customer owned cash commodities. At December 31, 2019, the amount outstanding under this credit facility was \$16,755,000 which was collateralized with customer owned cash commodities with a fair market value of \$16,811,000.

15. Subsequent Events

The Company's management has evaluated events and transactions through February 26, 2020, the date the financial statements were issued, noting no material events requiring disclosure in the Company's financial statements.

SUPPLEMENTARY SCHEDULES

Reconciliation of Statement of Financial Condition to Net Capital Computation

December 31, 2019

Total assets per Statement of Financial Condition		\$	293,164,137
Add			
Value of net customer options positions	\$	41,068,389	
Securities owned by customers and non-customers		<u>81,737,015</u>	122,805,404
Deduct: Noncurrent assets (as defined)			
Receivables from affiliate	\$	225,000	
Receivables from customers, net		100,214	
Other assets		1,482,836	
Furniture, equipment and leasehold improvements, net		738,155	
Exchange memberships		955,500	
Other receivables		123,755	
Goodwill		<u>100,276</u>	<u>(3,725,736)</u>
Current Assets (as defined)			\$ <u><u>412,243,805</u></u>
Total liabilities per Statement of Financial Condition		\$	274,803,724
Add/Deduct:			
Value of net customer options positions	\$	41,068,389	
Securities owned by customers and non-customers		<u>81,737,015</u>	<u>122,805,404</u>
Adjusted Total Liabilities			\$ <u><u>397,609,128</u></u>

See accompanying independent auditors' report.

Statement of the Computation of Net Capital and Minimum Capital Requirements

December 31, 2019

Current assets, as defined (see reconciliation on prior page)			\$ 412,243,805
Adjusted total liabilities (see reconciliation on prior page)		\$ 397,609,128	
Deduct liabilities subject to satisfactory subordination agreements		<u>(10,000,000)</u>	<u>387,609,128</u>
Net capital			24,634,677
Charges against net capital:			
Twenty percent of market value of uncovered inventories		\$ 19,890	
Charges against securities purchased under agreements to resell		59,080	
Five percent of unsecured receivables from foreign brokers		12,179	
Adjustment to eliminate the benefits of consolidation		<u>300,000</u>	<u>391,149</u>
Adjusted net capital (net capital less charges against net capital)			24,243,528
Net capital required using risk-based requirement:			
Amount of customer risk maintenance margin	\$ 53,483,398		
8% of customer risk-based requirement		\$ 4,278,672	
Amount of noncustomer risk maintenance margin	1,150,000		
8% of customer risk-based requirement		<u>92,000</u>	
		<u>4,370,672</u>	
Minimum dollar amount requirement		\$ <u>1,000,000</u>	
Amount required			<u>4,370,672</u>
Excess net capital			<u><u>\$ 19,872,856</u></u>

Computation of Early Warning Level

Enter 110% of risk-based amount required		\$ <u><u>4,807,739</u></u>
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There are no material differences between the above computation and the Company's corresponding unaudited Form 1FR-FCM filing as of December 31, 2019.

Reconciliation of Statement of Financial Condition to Segregation Statement (U.S. Exchanges)

December 31, 2019

Customers' Segregated Funds per Statement of Financial Condition (Note 4)	\$	185,701,616
Add:		
U.S. Treasury securities owned by customers		11,347,760
Other securities owned by customers		3,668,829
Value of customers' open long futures options contracts		211,793,526
Deduct:		
Value of customers' open short futures options contracts		<u>(170,725,137)</u>
Total Amount in Segregation	\$	<u><u>241,786,594</u></u>

See accompanying independent auditors' report.

Segregation Requirement and Funds in Segregation

December 31, 2019

Segregation requirement:

Net ledger balance:

Cash	\$ 139,945,721
Securities	15,016,589

Net unrealized loss in open futures contracts traded on a contract market	(2,489,997)
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Exchange traded options:

Market value of open options contracts purchased on a contract market	211,793,526
Market value of open options contracts sold on a contract market	<u>(170,725,137)</u>

Net equity	193,540,702
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Accounts liquidating to a deficit and accounts with debit balances - gross amount (offset by customer owned securities totaling \$0)	<u>25,828,700</u>
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Amount required to be segregated	<u>219,369,402</u>
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Funds on deposit in segregation:

Deposited in segregated funds bank accounts:

Cash	164,238,419
Securities representing investments of customers' funds, at market	—
Securities held for particular customers in lieu of cash margins, at market	799,940

Margins on deposit with clearing organizations of contract markets:

Cash	5,834,230
Securities representing investments of customers' funds, at market	10,126,597
Securities held for particular customers in lieu of cash margins, at market	10,547,820

Net settlement receivable from clearing organizations of contract markets	1,245,975
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Exchange traded options:

Value of open long option contracts	211,762,711
Value of open short option contracts	<u>(170,706,691)</u>

Net equities with other futures commission merchants:

Net liquidating equity	4,268,764
Securities representing investments of customers' funds, at market	—
Securities held for particular customers in lieu of cash margins, at market	—

Customers' segregated funds on hand (warehouse receipts)	<u>3,668,829</u>
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Total amount in segregation	<u>241,786,594</u>
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Excess funds in segregation	<u>\$ 22,417,192</u>
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Management target amount for excess funds in segregation	<u>\$ 12,000,000</u>
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Excess funds in segregation over management target amount excess	<u>\$ 10,417,192</u>
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There are no material differences between the above computation and the Company's corresponding unaudited Form 1FR-FCM filing as of December 31, 2019.

See accompanying independent auditors' report.

Segregation Requirement and Funds in Segregation - Customers' Dealer Options

December 31, 2019

The Company does not carry customers' dealer option accounts as defined by Commodity Exchange Act Regulation 32.6. Therefore, the Company is exempt from the provisions of Regulation 32.6.

Reconciliation of Statement of Financial Condition to Secured Statement (Non-U.S. Exchanges)

December 31, 2019

Customers' Secured 30.7 Funds per Statement of Financial Condition (Note 4)	\$	51,688,077
Add:		
Value of customers' open long futures options contracts		—
Deduct:		
Value of customers' open short futures options contracts		—
Total Funds in Separate Section 30.7 Accounts	\$	<u><u>51,688,077</u></u>

See accompanying independent auditors' report.

Secured Requirement and Funds Held in Separate Accounts

December 31, 2019

Amount required to be set aside in separate Section 30.7 accounts

Net ledger balance		
Cash	\$	48,323,598
Net unrealized profit in open futures contracts traded on a foreign board of trade		193,661
Exchange traded options		
Market value of open option contracts purchased on a foreign board of trade		—
Market value of open option contracts sold on a foreign board of trade		—
Net equity		48,517,259
Accounts liquidating to a deficit and accounts with debit balances - gross amount (offset by customer owned securities totaling \$0)		141

Amount required to be set aside as the secured amount - Net liquidating equity method		48,517,400
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Funds on deposit in separate Section 30.7 accounts:

Cash in banks		
Banks located in the United States	\$	35,387,502
Other banks designated by the Commission		
Barclays Bank PLC		2,525,521
		37,913,023

Equities with registered futures commission merchants (ABN AMRO Clearing, Phillip Capital and RBC Capital Markets)		
Cash	\$	2,958,056
Securities		10,146,927
Unrealized gain on open futures contracts		426,622
Value of long option contracts		—
Value of short option contracts		—
		13,531,605

Amounts held by clearing organizations of foreign boards of trade

Cash	\$	—
Amount due to clearing organization - daily variation		—
		—

Amounts held by members of foreign boards of trade
(Nissan Century Securities Co. Ltd.)

Cash		243,449
Unrealized gain on open futures contracts		—
		243,449

Total amount in separate Section 30.7 accounts		51,688,077
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Excess funds in separate Section 30.7 accounts	\$	3,170,677
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Management target amount for excess funds in separate 30.7 accounts	\$	1,000,000
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Excess funds in separate 30.7 accounts over management target excess	\$	2,170,677
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There are no material differences between the above computation and the Company's corresponding unaudited Form 1FR-FCM filing as of December 31, 2019.

See accompanying independent auditors' report.

Cleared Swaps Segregation Requirements and Funds in Cleared Swaps Customer Accounts

December 31, 2019

The Company does not carry customers' cleared swaps accounts as defined by Commodity Exchange Act Regulation 4D(F). Therefore, the Company is exempt from the provisions of Regulation 4D(F).