

Firm Brochure
(Part 2A of Form ADV)

Quantum Financial Planning Services, Inc.
1212 N. Washington St. Suite 220
Spokane, WA 99201
509-328-6653
509-328-1469
www.quantumplanning.com
quantumteam@quantumplanning.com
CRD # 115877

This brochure provides information about the qualifications and investment advisory business practices of Quantum Financial Planning Services, Inc. (herein referred to as Quantum). If you have any questions about the contents of this brochure, please contact us by phone at: 509-328-6653, or by email at: info@quantumplanning.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.

Additional information about Quantum Financial Planning Services, Inc. is available on the SEC's website at www.adviserinfo.sec.gov

*Registration as an investment advisor does not imply a certain level of skill or training.

03/01/2017

Material Changes

Annual Update

The Material Changes section of this brochure will be updated annually when changes are made to contents of this brochure from the previous year's edition. In addition to making the changes in the actual applicable section of the brochure, we will also post the same changes in this section below.

Material Changes to Narrative ADV Part 2A Since the Last Update

1. Asset Monitoring Service Agreement – Fee Schedule

Total Monitored Portfolio:

Client Fee Schedule Breakpoints

<u>Monitored Assets</u>	<u>Annual Fee</u>
\$0 - \$90,909.09	1.1%
\$90,909.10 - \$181,818.18	\$1,000 flat fee
\$181,818.19 - \$1,935,058.45*	0.55%

*The maximum Periodic Asset Allocation and Monitoring fee billed for Oct. 1, 2016 through Sept, 30, 2017 is \$10,642.82. No Periodic Asset Allocation and Monitoring fee is charged on assets over the cap of \$1,935,058.45. This cap is increased by 5% annually on Oct. 1st of each year.

2. Other Business Activities for John James, CFP®, CDFA™ CRD# 1656833

Board Member of Collaborative Professionals of Washington

3. Other Business Activities for C. Eric Christiansen, CFP® CRD# 3005759

Member of Spokane Estate Planning Council

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 509-328-6653 or by email at: quantumteam@quantumplanning.com.

Table of Contents

Material Changes.....	i
Annual Update	i
Material Changes to Narrative ADV Part 2A Since the Last Update	i
Full Brochure Available	i
Advisory Business	1
Firm Description.....	1
Principal Owners.....	2
Types of Advisory Services.....	4
Tailored Relationships	4
Types of Agreements.....	5
One-Time Financial Planning Services Agreement.....	5
Asset Monitoring Service Agreement.....	5
Hourly Planning Engagements	6
Asset Management	7
Termination of Agreement	7
Fees and Compensation	7
Description	7
Fee Billing	8
Other Fees.....	9
Possible Conflict of Interest	11
Expense Ratios.....	11
Past Due Accounts and Termination of Agreement	11
Performance-Based Fees	12
Sharing of Capital Gains	12
Types of Clients.....	12
Description	12
Account Minimums on Asset Monitoring Service	12
Methods of Analysis, Investment Strategies and Risk of Loss.....	12
Methods of Analysis.....	12
Investment Strategies	13
Risk of Loss	13

Disciplinary Information	14
Legal and Disciplinary.....	14
Other Financial Industry Activities and Affiliations	14
Financial Industry Activities.....	14
Affiliations	14
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	15
Code of Ethics.....	15
Participation or Interest in Client Transactions.....	15
Personal Trading.....	15
Brokerage Practices.....	15
Selecting Brokerage Firms.....	15
Best Execution	16
Soft Dollars	16
Order Aggregation	16
Review of Accounts	16
Periodic Reviews	16
Review Triggers.....	16
Regular Statements and Reports.....	16
Client Referrals and Other Compensation	16
Incoming Referrals.....	16
Referrals Out	17
Custody.....	17
Custody of Client Assets.....	17
Account Statements.....	17
Investment Discretion.....	17
Discretionary Authority for Trading.....	17
Limited Power of Attorney.....	17
Voting Client Securities	18
Proxy Votes	18
Financial Information	18
Financial Condition	18

Advisory Business

Firm Description

Quantum Financial Planning Services Inc., was founded in 1979. Quantum is an Investment Advisor, (herein referred to as Quantum) and is a fee-based, comprehensive financial planning and investment advisory firm. We provide personalized confidential financial planning and investment management to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and small businesses. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning and estate planning.

Associates of Quantum are registered representatives of Securities Service Network, Inc., member FINRA, SIPC, a registered broker-dealer. In addition, associates are licensed life, health and disability insurance agents having affiliations with several life and disability insurance companies.

OUR MISSION

Quantum was founded with the purpose of providing assistance in the planning of a client's overall financial affairs. Quantum practices independent comprehensive financial planning, which includes two major components: financial planning, including initial planning and ongoing review of financial planning goals (Asset Monitoring Services), and the design and monitoring of investment portfolios.

Our goal is to staff Quantum with a team of professionals qualified to assist our clients in achieving their financial objectives. Our staff works with the client and his or her other professional advisors, providing financial planning consultation and overall coordination on a personal basis.

Quantum offers investments advisory services through its One-Time Financial Planning, Ongoing Consulting and Asset Monitoring Services.

Quantum recommends asset allocations to clients and ensures the client has agreed before trades are made to a client's account.

A written evaluation of each client's initial situation is provided to the client, often in the form of a cash flow illustration or net worth statement. Periodic reviews are also communicated to provide reminders of the specific courses of action that need to be taken. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

The initial meeting, which may be by telephone, is free of charge and is considered an exploratory interview to determine the extent to which financial planning and investment management may be beneficial to the client.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Although we do not expect there to be conflicts of interest relating to use of these professionals, such conflicts will be disclosed to the client at the time of engagement whenever applicable.

Principal Owners

John A Nord, CFP® is a 24.8% stockholder.

C. Eric Christiansen, CFP® is a 37.6% stockholder.

Jonathan Springstead is a 37.6% stockholder.

Types of Advisory Services

ONE-TIME INITIAL FINANCIAL PLANNING SERVICES

Initial financial planning services focus on client's personal goals such as funding children's college education, achieving financial independence, and providing adequate funds for dependents in the event of premature death. Typical client concerns are listed on the schedule titled FINANCIAL PLANNING SERVICES attached to the CLIENT AGREEMENT.

Our goal is to determine the optimum course of action for the realization of client financial planning objectives, taking into consideration client needs, earning power, financial resources and particular aversion to risk.

Clients are provided with personalized written and oral financial planning advice designed to help them to identify, prioritize and achieve their financial goals in all areas. Such advice normally involves the development of specific strategies, alternatives and integrated solutions.

Below are examples of One-Time Initial Financial Planning Services.

FINANCIAL PLANNING ADVISORY SERVICES

Financial planning advisory services involve reviewing the client's financial affairs, creating a written financial plan, aiding the client in implementing agreed upon recommendations, and providing ongoing monitoring of goals and objectives.

The process begins with an initial consultation, usually at no charge. The purpose is to determine if the client can benefit from financial planning and to what extent our services are needed. Before work begins, the scope of the work and the fee are agreed upon and the CLIENT AGREEMENT is executed.

All information and recommendations furnished by Quantum to the client, and all information furnished by the client shall at all times be held in confidence and shall not be disclosed to third persons except as required by law or by the prior written consent of the client.

Financial planning requires a clear understanding of the client's current situation. Areas of examination include assets, liabilities, income, expenses, potential income taxes and estate taxes, trust agreements, wills, investments, insurance, personal and family obligations, employee benefit programs and careful consideration of investment vehicles. The client is expected to provide complete information in all relevant areas.

The various areas of client concern and recommendations are discussed orally and in writing in a series of meetings with the client. Upon agreement of specific recommendations an approved course of action is implemented.

INITIAL ASSET ALLOCATION

This service is designed for those clients having no need or desire for financial planning, but who desire investment planning services. These may include pension plans, children's trust, or clients who desire to monitor their own investments after the initial allocation is made. Quantum analyzes the client's current investments and makes recommendations regarding the retention, purchase, or sale of investments. As much as possible, we attempt to move the client's portfolio toward the asset allocation mix of our current model appropriate for the goals and risk aversion of the particular client.

MISCELLANEOUS FINANCIAL ADVICE

Miscellaneous financial advice may be requested without comprehensive financial planning services for specific financial concerns of limited scope. For example, research on investments brought to us by the client and with which we are unfamiliar would fall into this category.

ONGOING FINANCIAL PLANNING SERVICES (Asset Monitoring Services)

After the initial planning process, the client's goals and economic conditions continue to change. Revisions in the tax law, changes in inflation, fluctuation in interest rates and instability in investment mediums, combined with changes in the client's personal situation, require that financial and tax planning is an ongoing process.

Quantum offers ongoing financial planning and goal tracking services to provide periodic review and revisions of the major components of a client's financial plan to help assure that goals are being achieved. These services may include semi-annual financial reports projecting current year taxes and cash flow, and summarizing individual investments.

Ongoing financial planning services are available only to clients who have completed the initial financial planning process. Ongoing financial planning does not include the monitoring, review or surveillance of investment of other assets. These services are offered separately as Investment Monitoring Services.

Below are some services included in the Ongoing Financial Planning Services.

INVESTMENT SERVICES

These services include the design and construction of an investment portfolio consistent with the client's financial constraints and objectives, risk tolerance and prevailing economic conditions.

Economic factors such as the supply of money, various interest rates and changes in inflation are analyzed to help predict the future economic environment which, in turn, guides our asset allocation model and the selection of investments suitable for particular investment portfolios. Political factors are considered in those areas that impact our overall economic environment.

Our asset allocation model helps us to determine what types of assets to include or exclude from portfolio considerations and in what proportion those asset types should be held. We do not adhere to the principle of attempting to "time" the market nor do we attempt to "switch" to a particular asset class to take advantage of peculiar and temporary insights into the capital markets.

ONGOING ASSET ALLOCATION AND MONITORING

Quantum monitors the client's investment portfolio and makes appropriate "buy, sell, hold" recommendations and appropriate investment recommendations as we believe they are needed. All or a portion of the client's investment portfolio may be monitored as agreed.

A list of assets to be monitored is incorporated as part of the initial CLIENT AGREEMENT and is updated on a semi-annual basis. Assets that may be excluded are individual real properties, assets the client wishes to monitor, or assets we cannot or do not wish to monitor. Quantum will monitor all investments that the client has purchased at our recommendation through the associate.

The client's investment portfolio will be scrutinized and reevaluated on a regular basis. Quantum will assist in implementing any recommended changes. The client acknowledges the risk involved in any investment and that any one investment may or may not perform as expected.

Types of Advisory Services

As of January 31, 2017, Quantum managed approximately \$235 million in assets. All of these assets are managed on a non-discretionary basis; we currently have zero assets managed on a discretionary basis.

Tailored Relationships

Quantum services are always provided based on the individual needs of each client. This means, for example, that individual clients are given the ability to

impose restrictions on the accounts under management, including specific investment selections and sectors. We work with each client on a one-on-one basis through interviews and ongoing conversation to determine the client's investment objectives and suitability information.

Types of Agreements

The following agreements define the typical client relationships.

One-Time Financial Planning Services Agreement

A financial plan is designed to help the client with all aspects of financial planning without ongoing investment management after the financial plan is completed.

The financial plan may include, but is not limited to: a net worth statement; a cash flow statement; a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans, including recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

Detailed investment advice and specific recommendations are provided as part of a financial plan. Implementation of the recommendations is at the discretion of the client.

The fee for a financial plan is predicated upon the facts known at the start of the engagement. The minimum fee is \$500, the maximum fee is \$5,000 and the fee is negotiable.

Since financial planning is a discovery process, situations occur wherein the client is unaware of certain financial exposures or predicaments. In the event that the client's situation is substantially different than disclosed at the initial meeting, a revised fee will be provided for mutual agreement. The client must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.

After delivery of a financial plan, future face-to-face meetings may be scheduled as necessary for up to one month. Follow-up implementation work is billed separately at the rate of \$250 per hour.

Asset Monitoring Service Agreement

Most clients choose to have Quantum manage their assets in order to obtain ongoing in-depth advice and life planning. All aspects of the client's financial affairs are reviewed, including those of their children, if the client so chooses. Realistic and measurable goals are set and objectives to reach those goals

are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis.

The scope of work and fees for an Asset Monitoring Service Agreement is provided to the client in writing prior to the start of the relationship. An Asset Monitoring Service Agreement includes: cash flow management; insurance review; investment management (including performance reporting); education planning; retirement planning; estate planning; tax preparation, as well as the implementation of recommendations within each area.

The annual Asset Monitoring Service Agreement fee is based on a percentage of the investable assets according to the following schedule:

Total Monitored Portfolio:

Client Fee Schedule Breakpoints

<u>Monitored Assets</u>	<u>Annual Fee</u>
\$0 - \$90,909.09	1.1%
\$90,909.10 - \$181,818.18	\$1,000 flat fee
\$181,818.19 - \$1,935,058.45*	0.55%

*The maximum Periodic Asset Allocation and Monitoring fee billed for Oct. 1, 2016 through Sept, 30, 2017 is \$10,642.82. No Periodic Asset Allocation and Monitoring fee is charged on assets over the cap of \$1,935,058.45. This cap is increased by 5% annually on Oct. 1st of each year. The billing will be done one month after the date of this agreement and over the period extending back one month and forward five months for billings in excess of \$1199.00. Under no circumstances will a fee in excess of \$1200.00 be collected 6 months or more in advance.

Current client relationships may exist where the fees are higher or lower than the fee schedule above.

Although the Asset Monitoring Service Agreement is an ongoing agreement and constant adjustments are required, the length of service to the client is at the client's discretion. The client or the investment manager may terminate an agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

Hourly Planning Engagements

Quantum provides hourly planning services for clients who need advice on a limited scope of work. The hourly rate for limited scope engagements is \$250.

Asset Management

Assets are invested primarily in mutual funds through brokerage account and directly with fund companies. Fund companies charge fees and expenses disclosed in the fund prospectus. Additional details about these and other fees can be found in the Fees and Compensation section below.

Stocks and bonds and mutual funds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a transaction fee for stock and bond and mutual fund trades, as well as other applicable fees, details of which can be found in the Fees and Compensation section below.

Investments may also include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), U. S. government securities, options contracts, futures contracts, and interests in partnerships.

Initial public offerings (IPOs) are not available through Quantum.

Termination of Agreement

A client may terminate their agreement with Quantum at any time at any time by notifying Quantum in writing. Any time spent on the investment advisory engagement prior to notification of termination will become due at time of termination. If the client made an advance payment, Quantum will refund any unearned portion of the advance payment.

Quantum may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, Quantum will refund any unearned portion of the advance payment.

Fees and Compensation

Description

Quantum bases its fees on a percentage of assets under management, assets under advisory, hourly charges, fixed fees and/or commissions.

Some retainer agreements may be priced based on the complexity of work, especially when asset management is not the most significant part of the relationship.

Financial plans are priced according to the degree of complexity associated with the client's situation.

Fees are negotiable.

Lower fees for comparable services may be available from other sources. Clients are advised that the investment recommendations and advice offered

by Quantum does not constitute legal or accounting advice. Therefore, you should coordinate and discuss the impact of financial advice with your attorney and/or accountant. Clients are advised that it is necessary to inform Quantum promptly with respect to any changes in their financial situation, investment goals and objectives. Failure to notify Quantum of any such changes could result in investment recommendations not meeting the needs of the client.

Fee Billing

Investment advisory services may be billed on an hourly basis, a percentage basis, as negotiated flat fees, through commission and transaction fees, or through a combination thereof. Percentage basis fees are billed as a percentage of the assets under consideration, which includes assets under management and assets under advisory. Assets under management are investments for which a Quantum advisor serves as the representative on the account. Assets under advisory are investments for which a Quantum advisor provides investment advice. Flat fees are billed as a set annual fee paid semi-annually in advance. Commission compensation includes the normal transaction fees associated with such investments. Such charges are always fully disclosed before investments are made. Fees can be negotiated.

Periodic Asset Allocation and Monitoring

Total Monitored Portfolio:

Client Fee Schedule Breakpoints

<u>Monitored Assets</u>	<u>Annual Fee</u>
\$0 - \$90,909.09	1.1%
\$90,909.10 - \$181,818.18	\$1,000 flat fee
\$181,818.19 - \$1,935,058.45*	0.55%

*The maximum Periodic Asset Allocation and Monitoring fee billed for Oct. 1, 2016 through Sept, 30, 2017 is \$10,642.82. No Periodic Asset Allocation and Monitoring fee is charged on assets over the cap of \$1,935,058.45. This cap is increased by 5% annually on Oct. 1st of each year. The billing will be done one month after the date of this agreement and over the period extending back one month and forward five months for billings in excess of \$1199. Under no circumstances will a fee in excess of \$1200.00 be collected 6 months or more in advance.

Financial Planning and Miscellaneous Advice

\$250.00 per planner/hour, billed quarterly in arrears.
\$75.00 per support staff/hour.

Initial Asset Allocation (Portfolio Design) and Transaction Implementation/Execution

A fee of 1% to 2% of investment portfolio assets, depending on portfolio size and clients requirements can be charged for certain client projects. One half shall be payable in advance and the balance when implementation begins.

The fee for individuals includes agreed-upon financial advice. A flat dollar fee in lieu of an hourly fee may be proposed where the task is well defined and the number of hours can be estimated closely. A flat dollar fee in lieu of a percentage fee may be proposed where the assets are expected to vary greatly over the period of the agreement. A combination of the above fees will be charged when the work includes several different areas of assistance significantly different from the norm. Under no circumstances will a fee in excess of \$500.00 be collected 6 months or more in advance.

Other Fees

Custodians may charge transaction fees on purchases or sales of certain investments. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

Quantum, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

New Asset Monitoring Service Agreement fees are calculated on a formula basis and adjusted for complexity of individual situations.

You may be responsible for any and all transaction charges, including standard broker-dealer ticket charges and confirmation fees, wire transfer fees, and other fees which may be assessed to your account. Quantum may choose to pay broker-dealer ticket charges; however, you are always responsible for additional transaction charges. If Quantum does not pay ticket charges, this may result in higher overall cost to you. You will pay separately for IRA custodial services and may be assessed inactivity fees. All fees paid to Quantum for investment advisor services are separate from fees and expenses charged to owners of mutual fund shares or variable annuity contracts by the product sponsors. As a result, you may pay two management fees. Variable Annuities often carry higher internal expense ratios than mutual fund investments due to their insurance related features. If you opt for management of a variable annuity, you will be subject to higher annual fees than if only invested in the variable annuity as fees paid to Quantum are separate and segregate from the annuity expenses. Furthermore, you will have the same investment options and could possibly invest in a similar

fashion without management services on their own. A complete explanation of the product-related fees and expenses is contained in the prospectus for the particular investment product.

Other Compensation Received

Quantum associates may receive 12b-1 fees, revenue sharing, or trail commissions ("Additional Compensation") from investment companies in connection with the placement of client funds into investment companies. Quantum associates may also receive a portion of the transaction charges in connection with transactions within certain brokerage accounts.

Quantum associates are also licensed life, health and disability insurance agents having affiliations with several life and disability insurance companies. The insurance agent receives a commission on any insurance product sold.

These practices present a conflict of interest and give Quantum associates an incentive to recommend investment products based on the compensation received, rather than on your needs. These conflicts are addressed through ongoing training, annual compliance meetings, and a review of all transactions by Quantum's compliance staff.

Clients have the option to purchase insurance or investment products recommended by their Quantum associate through other insurance or investment professionals not associated with Quantum.

In the event that Quantum associates are to receive commission revenues from you in connection with investments or insurance products purchased in advisory or managed accounts, such commissions will be fully disclosed by Quantum, and/or product prospectus and/or through the distribution of the trade confirmation statement. If an associate of Quantum earns a commission on the sale of a securities product in his or her role as a registered representative with a broker-dealer, he or she must wait one (1) year before including that position in the calculation of your advisory fee.

Illiquid assets (e.g. partnerships, illiquid REITs) are not included in the calculation of assets under management and advisory fees.

Quantum is not compensated on the basis of a share of capital gains or capital appreciation of the funds or any portion of the fund invested by you.

Lower fees for comparable services may be available from other sources.

Quantum advisors may conduct business via advisory accounts or non-advisory accounts at Pershing or NFS and via direct accounts held at a fund company.

Possible Conflict of Interest

In certain instances multiple share classes of the same mutual fund are available for investment, with one share class (ex. Class A Share) charging higher ongoing expenses and paying Additional Compensation to Quantum and the other share class (ex. Class F Share) charging lower ongoing expenses and not paying Additional Compensation to Quantum. Your Advisor may select or recommend the fund share class that pays Additional Compensation even when you are eligible to own the lower cost share class. It is generally in your best interest to purchase the lower-fee share class rather than the higher-fee share class because your returns are not reduced by 12b-1 fees. These share class practices present a conflict of interest and gives Quantum an incentive to recommend investment products based on the compensation received, rather than on your needs. These conflicts are addressed through disclosure in this brochure and in the Client Agreement.

Expense Ratios

Mutual funds generally charge shareholders an expense ratio for their services. This expense ratio captures all asset-based costs incurred by the fund, including 12b-1 fees, management fees, administrative fees, operating costs, and fund expenses. An expense ratio of 0.50 means that the mutual fund company charges their shareholders 0.5%.. These fees are in addition to the fees paid by you to Quantum.

Performance figures quoted by mutual fund companies in various publications should always be given after their fees have been deducted.

Past Due Accounts and Termination of Agreement

Quantum reserves the right to stop work on any account that is more than 90 days overdue. In addition, Quantum reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in Quantum's judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded within 30 days.

Terms of CLIENT AGREEMENT

When compensation is payable, and if compensation is payable before service is provided, a client may get a refund or terminate an investment advisory contract before its expiration date.

You may cancel the agreement in its entirety within five business days from the date of the CLIENT AGREEMENT. Thereafter, the agreement may be terminated in writing by either party at any time without cause, for Financial Planning, Initial Asset Allocation and Miscellaneous Advise. Quantum will refund any unearned fees, and you will be responsible for any outstanding

work billable to the date of termination. For Periodic Asset Allocation and Monitoring, our services may be terminated in writing by either party without cause at the end of any scheduled payment period.

Performance-Based Fees

Sharing of Capital Gains

Fees are ***not*** based on a share of the capital gains or capital appreciation of managed securities.

Quantum does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

Types of Clients

Description

Quantum generally provides investment advice to individuals, small business owners, pension and profit sharing plans, trusts, estates, or charitable organizations, corporations or business entities.

Client relationships vary in scope and length of service.

Account Minimums on Asset Monitoring Service

The minimum account size is \$90,909.09 of assets under management, which equates to an annual fee of \$1000. Exceptions may be granted to this minimum at Quantum's discretion.

Clients receiving ongoing asset management services will be assessed a \$1000 minimum annual fee. Clients with assets below the minimum account size may pay a higher percentage rate on their annual fees than the fees paid by clients with greater assets under management.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

To determine investment advice and formulate recommendations, Quantum starts from a macro approach, evaluating the total allocation percentage to each asset class (stocks, bonds and cash) based on a client's investment time horizon, risk and/or loss aversion, near term expenditures, ability to handle volatility, etc. Quantum then further analyze their holdings to each sector within each asset class (International stocks, domestic stocks, long/short term bonds, precious metals, cash, REIT's, etc.).

The main sources of research information Quantum uses include financial newspapers and magazines, research materials prepared by others,

prospectuses, company press releases, as well as other information made generally available. Quantum may also use Morningstar Advisor in its research.

Investment Strategies

The primary investment strategy used on client accounts is strategic asset allocation. We use actively-managed funds and our portfolios are globally diversified to control the risk associated with traditional markets.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time.

We set a target allocation with each individual client and then we reallocate each individual client portfolio on a semi-annual or annual basis back towards the selected target allocation.

Risk of Loss

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from

a steady stream of customers who buy electricity no matter what the economic environment is like.

- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Disciplinary Information

Legal and Disciplinary

Quantum and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

Other Financial Industry Activities and Affiliations

Financial Industry Activities

Quantum is an independent investment advisory firm and only provides investment advisory services. The firm is not engaged in any other business activities and offers no other services than those described in this Disclosure Brochure.

Affiliations

Quantum is not affiliated with any broker-dealer and does not receive brokerage compensation. However, Quantum's associates are registered representatives of a broker-dealer, Securities Service Network, Inc., member FINRA. As described in the Fees and Compensation section of this brochure, these dually-registered representatives (registered with both Quantum and Securities Service Network, Inc.) may receive transaction-based compensation through their broker-dealer, including commissions from the sale of mutual funds, stocks, bonds, variable annuities, and 12b-1 fees (also known as trails).

This creates a conflict of interest and gives Quantum associates an incentive to recommend investment products based on the compensation received, rather than on your needs. These conflicts are addressed through ongoing training, annual compliance meetings, and a review of all transactions by Quantum's compliance staff. In the event that Quantum is to receive commission revenues from you in connection with investments purchased in advisory or managed accounts, such commissions will be fully disclosed by

Quantum, and/or product prospectus and/or through the distribution of the trade confirmation statement. If a representative of Quantum earns a commission on the sale of a securities product in his or her role as a registered representative with a broker-dealer, he or she must wait one (1) year before including that position in the calculation of your advisory fee.

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

Code of Ethics

The employees of Quantum have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request. The firm's Code of Ethics is designed to ensure we meet our fiduciary obligations to you and to detect and prevent violations of securities laws. Quantum's Code of Ethics includes:

- Requirements to retain the confidentiality of our clients' personal, business and financial information
- Prohibitions on insider trading
- Reports of gifts and business entertainment
- Reporting and oversight of Quantum associates' personal securities transactions

Participation or Interest in Client Transactions

Quantum and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the *Quantum Financial Planning Services, Inc. RIA Compliance Manual*.

Personal Trading

The Chief Compliance Officer of Quantum is Houston E. Scrudder, CFP®. He reviews all employee trades each quarter. His trades are reviewed by Securities Service Network. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades are small mutual fund trades, the trades do not affect the securities markets.

Brokerage Practices

Selecting Brokerage Firms

Quantum is independently owned and operated and each of the financial planners are affiliated representatives with Securities Service Network, an independent Broker/Dealer. Specific custodian or investment company recommendations are made to clients based on their need for such services.

Quantum recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

Best Execution

Most of Quantum's investment accounts are invested into mutual funds or third party money managers. These accounts are held directly with the mutual fund companies or in a brokerage account. Quantum does not regularly advise investing in individual stocks in our client's portfolios. Clients may elect to invest in some individual stocks, but very few stock trades occur annually and we do not review best execution regularly.

Soft Dollars

Quantum has not entered into any soft dollar agreements with any brokers/dealers. We are not receiving services for free or at a nominal rate based on directing clients to the qualified custodian, other than services that we would have received for free (or at a nominal rate) irrespective of volumes or clients directed to the qualified custodian.

Order Aggregation

Most trades are in mutual funds where trade aggregation does not garner any client benefit.

Review of Accounts

Periodic Reviews

Account reviews are performed semi-annually by advisors. Account reviews are performed more frequently when market conditions dictate.

Review Triggers

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

Regular Statements and Reports

Clients will receive statements at least quarterly from the qualified custodian at which their accounts are maintained. Quantum provides performance and position reports on a Semi-Annual or as needed basis. Clients are encouraged to always compare reports provided by Quantum against the accounts statements delivered from the qualified custodian.

Client Referrals and Other Compensation

Incoming Referrals

Quantum has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

Referrals Out

Quantum does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

Custody

Custody of Client Assets

Although Quantum does not generally have custody of client assets, meaning access to control a client's funds or securities, Quantum does have custody of certain 401(k) participant assets by virtue of being given online access by the client to those assets. When Quantum has custody, we take extra steps to help protect those client assets. On an annual basis we engage the services of an independent auditor to perform a surprise audit of those accounts where we have been deemed to have custody. The auditor uploads a report available to the public at www.adviserinfo.sec.gov.

Account Statements

All assets are held at qualified custodians, which means the custodians provide account statements at least quarterly directly to clients at their address of record. You should review those statements carefully.

Quantum provides periodic performance report statements in addition to the statements you receive from your qualified custodian. We urge clients to compare Quantum's performance reports with the account statements received from their qualified custodian.

Investment Discretion

Discretionary Authority for Trading

Quantum has non-discretionary trading authority to manage securities accounts on behalf of clients. Non-discretionary accounts are trading accounts which the client makes all the trading decisions. We prefer to give trade recommendations to our clients and then discuss and educate before the client's trades are made.

The client approves the custodian to be used and the commission rates paid to the custodian.

Limited Power of Attorney

A limited power of attorney is a trading authorization for this purpose. You sign a limited power of attorney so that we may execute the trades that you have approved.

Voting Client Securities

Proxy Votes

Quantum does not vote proxies on securities. Clients are expected to vote their own proxies.

When assistance on voting proxies is requested, Quantum will provide recommendations to the client. If a conflict of interest exists, it will be disclosed to the client.

Financial Information

Financial Condition

Quantum does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because Quantum does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1200 per client, and six months or more in advance.