

Firm Brochure
(Part 2A of Form ADV)

Quantum Financial Planning Services, Inc.
1212 N. Washington St. Suite 220
Spokane, WA 99201
Phone: 509-328-6653
Fax: 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., an investment adviser registered with the Securities and Exchange Commission. Registration does not imply a certain level of skill or training. If you have any questions about the contents of this brochure, please contact us by phone at: 509-328-6653 or by email at QuantumTeam@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. You can search this site by a unique identifying number known as a CRD number. Our CRD number is 115877.

July 1, 2017

Quantum Financial Planning Services Inc.

Item 2 Material Changes

Annual Update

Quantum Financial Planning Services, Inc. updates its ADV Part 2A annually, or more or more frequently in the event of certain material changes. This section outlines and summarizes the specific changes made to this brochure since our last annual on 9/30/2016.

1. We have updated our fee schedule in Item 5 of this brochure.
2. Quantum became registered with the Securities and Exchange Commission ("SEC"), removing registration from various states. We have eliminated specific state regulatory requirements that are no longer applicable.
3. Quantum's associates are no longer registered with a broker-dealer or active insurance agents and we have removed all references to those business activities and the conflicts they represent.

We have made a number other changes to this brochure to simplify and clarify our advisory services and our potential conflicts of interest. We encourage you to read this brochure in its entirety.

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.

Item 3 Table of Contents

Item 2 Material Changes	i
Annual Update	i
Full Brochure Available	i
Item 4 Advisory Business.....	1
Firm Description.....	1
Types of Advisory Services.....	2
Tailored Relationships	4
Assets Under Management	4
Asset Management.....	4
Item 5 Fees and Compensation.....	5
Description	5
Fee Billing	5
Termination of Agreement	6
Other Fees	7
Past Due Accounts	7
Item 6 Performance-Based Fees.....	8
Sharing of Capital Gains	8
Item 7 Types of Clients	8
Description	8
Account Minimums on Asset Monitoring Service	8
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss	8
Methods of Analysis.....	8
Investment Strategies	9
Risk of Loss	9
Item 9 Disciplinary Information	10
Legal and Disciplinary.....	10
Item 10 Other Financial Industry Activities and Affiliations	10
Financial Industry Activities.....	10

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	10
Code of Ethics.....	10
Participation or Interest in Client Transactions.....	11
Item 12 Brokerage Practices	11
Selecting Brokerage Firms.....	11
Best Execution	11
Research and other Soft Dollar Benefits.....	11
Brokerage for Client Referrals.....	13
Directed Brokerage	13
Order Aggregation	13
Item 13 Review of Accounts.....	13
Periodic Reviews	13
Review Triggers.....	13
Regular Statements and Reports.....	13
Item 14 Client Referrals and Other Compensation.....	14
Incoming Referrals.....	14
Referrals Out	14
Item 15 Custody.....	14
Custody of Client Assets.....	14
Account Statements.....	14
Item 16 Investment Discretion	14
Discretionary Authority for Trading.....	14
Item 17 Voting Client Securities.....	15
Proxy Votes	15
Item 18 Financial Information.....	15
Financial Condition	15

Item 4 Advisory Business

Firm Description

Quantum Financial Planning Services Inc. ("Quantum," "us" or "we") is an SEC-registered investment founded in 1979. Quantum is owned by C. Eric Christiansen, John Nord and Jonathan Springstead, details of which can be found on our ADV Part 1A.

We are 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.

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. We work with the client and his or her other trusted professionals, providing financial planning consultation and overall coordination on a personal basis.

Quantum offers investments advisory services through its Investment Advisory and Financial Planning Agreement. Our advice is tailored to your individual needs and goals. 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 we have with prospective clients, 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.

Types of Advisory Services

INITIAL OR ONE-TIME FINANCIAL PLANNING SERVICES

We typically begin a new client relationship with comprehensive financial planning services, which focus on the 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.

At the client's request we will offer limited scope financial planning services. For example, research on investments brought to us by the client and with which we are unfamiliar would fall into this category. The scope of one-time, miscellaneous financial planning services will be detailed in the *Financial Planning Services* schedule attached to the Client Agreement.

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, including asset allocation, and providing ongoing monitoring of goals and objectives.

The process begins with an initial consultation offered 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 with the *Financial Planning Services* schedule is executed.

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. Quantum maintains stringent client and data privacy policies and we will keep all of your information and the recommendations furnished to you in confidence.

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.

ASSET MONITORING SERVICES AND ONGOING FINANCIAL PLANNING 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 asset monitoring and 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.

Our ongoing services are available only to clients who have completed the initial financial planning process. Ongoing asset monitoring and financial planning does not include the monitoring, review or surveillance of investment of other assets.

Below are some services included in our Asset Monitoring 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 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 regular 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.

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.

Assets Under Management

As of July 6, 2017 Quantum managed approximately \$236 million in assets on a discretionary basis and \$15 million on a non-discretionary basis.

Asset Management

Assets are invested primarily in mutual funds through a brokerage account.. Fund companies charge fees and expenses disclosed in the fund prospectus. Stocks, bonds and mutual funds will be purchased or sold through a brokerage account. The brokerage firm charges a transaction fee for stock, bond and mutual fund trades, as well as other applicable fees. Additional

details about brokerage fees, fund company fees, and other fees, charges and expenses can be found in Item 5 Fees and Compensation 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.

Item 5 Fees and Compensation

Description

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

One-time and initial financial planning services are priced based on the complexity of work associated with the client's situation. All fees are negotiable.

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

Under no circumstances will a fee in excess of \$1200 be collected six months or more in advance.

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 of assets under management or assets under advisement, flat fees, or a combination of these.

Periodic Asset Allocation and Monitoring

Client Fee Schedule

<u>Managed or Monitored Assets</u>	<u>Annual Fee</u>
First \$3,000,000	.08 % to 1.05%
Assets over \$3,000,000	.25%

The above fee schedule results in a blended rate for Accounts with more than \$3,000,000 in assets under management or monitoring. The fee range above reflects the variation in fees between our two regional offices, although the services offered between the two offices are similar. All fees are negotiable.

Asset management fees are payable in advance, either semiannually or quarterly in accordance with your Client Agreement. We begin charging 30 days after the effective date of your Client Agreement.

If your fees are payable semiannually, we will bill you at the end of the first month of the six-month time frame covered, so that the fee covers one month payable in arrears and five months payable in advance. If your fees are payable quarterly, we will bill you at the beginning of each quarter.

Financial Planning and Miscellaneous 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. Time will be invoiced at the end of each quarter in which hourly financial planning and miscellaneous advice were accrued.

- \$250.00 per planner/hour
- \$75.00 per support staff/hour

Rather than a flat fee based on an estimate of hours worked, we may instead charge a fee of 1% to 2% of investment portfolio assets. The percentage charged is dependent factors such as portfolio size and the scope of work. One-half of such work will be payable in advance and the balance when implementation begins.

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

A combination of the fees discussed above will be charged when the work includes several different areas of assistance significantly different from the norm or when the assets are expected to vary greatly over the period of the agreement. Under no circumstances will a fee in excess of \$1200.00 be collected 6 months or more in advance.

Termination of Agreement

A client may terminate their Client Agreement with Quantum at any time without cause. We will refund any unearned fees based on work completed (for flat rate services) or on a pro-rated basis from the date we receive the written notice of termination through the end of the billing period (for asset monitoring fees billed as a percentage of assets under management).

Other Fees

Custodians typically 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.). You are responsible for any and all account charges by your custodian, including standard broker-dealer transaction charges and confirmation fees, wire transfer fees, and other fees which may be assessed to your account that we manage. 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 and distinct from the fees and expenses charged by the mutual fund or variable annuity product sponsor. These fees are described in the fund or variable annuity's prospectus. These fees generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, you may pay an initial or deferred sales charge. However, we recommend no-load share classes when we recommend mutual funds and variable annuity products.

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 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.

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

Past Due Accounts

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.

Item 6 Performance-Based Fees

Sharing of Capital Gains

Our fees are never 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 for the potential of a higher return.

Item 7 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

We do not currently have a minimum on account size.

Item 8 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.

Item 9 Disciplinary Information

Legal and Disciplinary

We are required to disclose any legal or disciplinary events that are material to your evaluation of our advisory business or the integrity of our management of your account. Neither Quantum nor its employees have been involved in legal or disciplinary events or have anything reportable events to disclose.

Item 10 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. Neither Quantum nor its associates has any registrations or other material relationships with a broker-dealer or other registered entity.

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

Code of Ethics

Quantum has adopted a Code of Ethics ("the Code"), which sets forth the high ethical standards of business conduct that we expect of our employees, including compliance with applicable federal securities laws. Employees must avoid situations where their personal interests conflict with the interest of our clients. 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. Our 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

A copy of our Code of Ethics is available to client and prospective clients. You may request a copy by email to QuantumTeam@quantumplanning.com.

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.

Item 12 Brokerage Practices

Selecting Brokerage Firms

As part of our asset management and asset monitoring services Quantum recommends TD Ameritrade, Inc. ("TD") as your custodian and broker-dealer. Specific custodian or investment company recommendations are made to clients based on their need for such services. We have selected TD based on price, reliability, speed of processing, tools and best execution," in addition to the integrity and financial responsibility of the firm.

Best Execution

Most of Quantum's investment accounts are primarily invested into mutual. These accounts are held 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.

Research and other Soft Dollar Benefits

Quantum participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade, Inc., member FINRA/SIPC/NFA ("TD Ameritrade "), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. We receive some benefits from TD Ameritrade through our participation in the Program.

Generally, in addition to a broker's ability to provide "best execution," we may also consider the value of "research" or additional brokerage products and services a broker-dealer has provided or may be willing to provide. This is known as paying for those services or products with "soft dollars."

Because many of the services or products could be considered to provide a benefit to Quantum, and because the "soft dollars" used to acquire them are client assets, we could be considered to have a conflict of interest in allocating client brokerage business: we could receive valuable benefits by selecting a particular broker or dealer to execute client transactions and the

transaction compensation charged by that broker or dealer might not be the lowest compensation we might otherwise be able to negotiate. In addition, we could have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage compensation with which to acquire products and services.

Our use of soft dollars is intended to comply with the requirements of Section 28(e) of the Securities Exchange Act of 1934 which provides a "safe harbor" for investment managers who use commissions or transaction fees paid by their advised accounts to obtain investment research services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities. As required by Section 28(e), we will make a good faith determination that the amount of commission or other fees paid is reasonable in relation to the value of the brokerage and research services provided. That is, before placing orders with a particular broker, we generally determine, considering all the factors described below, that the compensation to be paid to TD Ameritrade is reasonable in relation to the value of all the brokerage and research products and services provided by TD Ameritrade. In making this determination, we typically consider the particular transaction or transactions, and the value of brokerage and research services and products to a particular client, but also the value of those services and products in the performance of our overall responsibilities to all of our clients. In some cases, the commissions or other transaction fees charged by a particular broker-dealer for a particular transaction or set of transactions may be greater than the amounts another broker-dealer who did not provide research services or products might charge.

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

Other Uses and Products. We typically use some products or services not only as "research" and as brokerage (i.e., to assist in making investment decisions for clients or to perform functions incidental to transaction execution) but for our administrative and other purposes as well. In these

instances, we make a reasonable allocation of the cost of the products and services so that only the portion of the cost that is attributable making investment decisions and executing transactions is paid with commission dollars and we bear the cost of the balance. Our interest in making such an allocation differs from clients' interest, in that we have an incentive to designate as much as possible of the cost as research and brokerage in order to minimize the portion that Quantum must pay directly.

Brokerage for Client Referrals

We do not consider client referrals as a factor in selecting or recommending broker-dealers. We also have no arrangements or processes in place to direct client transactions to a particular broker-dealer in return for client referrals.

Directed Brokerage

Because we generally require clients to execute trades in accounts under our management through TD as custodian, we are effectively requiring clients to “direct” their brokerage to TD. Not all advisers execute through a single broker-dealer or require their clients to do so. Because we are not selecting a broker-dealer on a trade-by-trade basis, we may not be able to achieve the most favorable execution of client transactions and this practice may cost clients more money. However, TD permits trade aggregation, and is itself obligated to seek best execution for the trades executed through TD.

Notwithstanding the above, we may, on a case-by-case basis, accept instruction from you to direct transactions to a broker dealer other than TD.

Order Aggregation

We do not generally aggregate buys and sales since most trades are in mutual funds where trade aggregation does not garner any client benefit.

Item 13 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.

Item 14 Client Referrals and Other Compensation

Incoming Referrals

Quantum has been fortunate to receive many client referrals over the years. The referrals have come 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.

Item 15 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.

Item 16 Investment Discretion

Discretionary Authority for Trading

We provide investment portfolio services on both a discretionary and non-discretionary basis, as identified in the Client Agreement. Our ability to exercise both discretionary and non-discretionary authority requires the execution of a limited power of attorney contained in our Client Agreement, as well as any limited power of attorney form required by the qualified custodian holding your assets.

When you grant us discretionary authority that means we execute investment transactions in your accounts without having to obtain prior approval from you.

Non-discretionary authority means we obtain obtain permission from you prior to any trading activity in your account.

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

Item 17 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.

Item 18 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 clients funds or securities, and does not require prepayment of fees of more than \$1200 per client and six months or more in advance.