

Quantum Financial Advisors, Inc.

CRD # 113563

ADV Part 2A, Firm Brochure

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This brochure provides information about the qualifications and business practices of Quantum Financial Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at (301) 296-6203 or jrinaldi@qfainc.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 Advisors, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

References herein to Quantum Financial Advisors, Inc. as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

Item 2 Material Changes

There have been no material changes made to Quantum Financial Advisors, Inc.'s disclosure statement since its last Annual Amendment on March 29, 2023.

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Item 4 Advisory Business

- A. Quantum Financial Advisors, Inc. (the “Registrant”) is a corporation formed in June, 1996 in the state of Delaware. The Registrant became registered as an investment adviser in 1996. The Registrant is owned by Joseph F. Rinaldi who is also the Registrant’s President.
- B. As discussed below, the Registrant offers investment advisory services and financial planning and related consulting services to the extent specifically requested by a client.

INVESTMENT ADVISORY SERVICES

Platinum Level Accounts, \$5 million - \$10 million receive:

Daily customized Gain/Loss report & quarterly investment newsletter.
Quarterly reviews by phone, teleconferencing or personal meetings.
Complimentary mortgage financing advice
Complimentary year-end tax assistance with Gain/Loss report.
Complimentary family cash flow pro forma.
Complimentary quarterly broadcast—Money & Capital Markets Monitor.
Personalized online account access with financial & performance reporting.
Invitation to roundtable educational "lunch & learn" seminars and/or dining meetings.
Prime Brokerage execution with other Broker/Dealers.
Preferred Participation in IPOs (to the extent available).
Access to the Chief Investment Officer (“CIO”). Such access is limited to times scheduling availability at a mutually convenient time between the CIO and the client.

Gold Level Accounts, \$1 million-\$5 million receive:

Daily customized Gain/Loss report & quarterly investment newsletter.
Annual reviews by phone, teleconferencing or personal meetings.
Complimentary mortgage financing advice
Complimentary year-end tax assistance with Gain/Loss report.
Complimentary family cash flow pro forma.
Complimentary quarterly broadcast—Money & Capital Markets Monitor
Personalized online account access with financial & performance reporting.
Invitation to roundtable educational "lunch & learn" seminars and/or dining meetings.
Prime Brokerage execution with other Broker/Dealers.
Participation in IPOs (to the extent available).

Silver Level Account, \$500,000 to \$1 million receive:

Daily customized Gain/Loss report & quarterly investment newsletter.
Annual reviews by phone, teleconferencing or personal meetings.
Complimentary mortgage financing advice
Complimentary year-end tax assistance with Gain/Loss report.
Complimentary family cash flow pro forma.
Complimentary quarterly broadcast—Money & Capital Markets Monitor.
Personalized online account access with full financial & performance reporting.
Invitation to roundtable educational "lunch & learn" seminars and/or dining meetings.
Prime Brokerage execution with other Broker/Dealers.
Participation in IPOs (to the extent available).

Bronze Level Account, \$250,000 to \$500,000 receive:

Daily customized Gain/Loss report & quarterly investment newsletter.
Annual reviews by phone or teleconferencing.
Complimentary mortgage financing advice
Complimentary year-end tax assistance with Gain/Loss report.
Complimentary family cash flow pro forma.
Complimentary quarterly Broadcast—Money & Capital Markets Monitor.
Personalized online account access with full financial & performance reporting.
Invitation to roundtable educational "lunch & learn" seminars and/or dining meetings.
Prime Brokerage execution with other Broker/Dealers.
Participation in IPOs (to the extent available).

Client Accounts <=\$250,000 receive:

Daily customized Gain/ Loss report & quarterly investment newsletter.
Annual reviews by phone or teleconferencing.
Complimentary year-end tax assistance with Gain/Loss report.
Complimentary quarterly broadcast—Money & Capital Markets Monitor.
Personalized online account access, with full financial & performance reporting.
Invitation to educational "lunch & learn" seminars and/or dining meetings.
Superior Prime Broker execution for accounts with greater than or equal to \$100,000 in equity value per account.
Potential Participation in IPOs (to the extent available).

Sub-Advisory Relationships

The Registrant serves as a sub-adviser to other investment advisers or their accounts according to the terms and conditions of a written agreement. In those instances, the Registrant maintains discretionary authority for a portion of the assets allocated to it by the other investment adviser. The other investment adviser is responsible for the day-to-day relationship with the client, including determining their initial investment objectives and whether the Registrant's investment services remain appropriate for the client. The Registrant does not typically have contact with the end-client, but is available to answer questions that the end-client may have about the Registrant's services. The range of fees associated with these engagements are identified in Item 5 below, but are separately negotiated with each investment adviser. The other investment adviser is responsible for determining the appropriateness of the Registrant's fees for their clients.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

The Registrant may provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning and insurance planning) on a stand-alone fee basis. Such services include, but are not limited to, cash flow planning, goal setting, retirement planning, insurance planning, and estate planning. Registrant's planning and consulting fees are negotiable, but generally range from \$1,000 to \$5,000 on a fixed fee basis, and from \$250 to \$500 on an hourly rate basis, depending upon the level and scope of the services required and the professionals rendering the services.

Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* setting forth the terms and conditions of the engagement and the fees that a client will pay. If requested by the client, Registrant may recommend the services of other professionals for

implementation, including the Registrant's representative in their capacity as insurance agents. (*See* disclosure at Item 10 C.).

The client is under no obligation to engage the services of any recommended professional. The client retains absolute discretion over all implementation decisions and is free to accept or reject any recommendation from the Registrant. If the client engages any recommended professional, and a dispute arises, the client agrees to seek recourse exclusively from the engaged professional. Nothing in this brochure may be interpreted to limit or modify the investment adviser's fiduciary duties to its clients and nothing in this brochure shall be deemed a waiver of any right or remedy that a client may have under federal or state securities laws. Federal and state securities laws impose liabilities under certain circumstances on persons who act in good faith. Clients are responsible for promptly notifying the Registrant if there is ever any change in their financial situation or investment objectives so that the Registrant can review, and if necessary, revise its previous recommendations or services.

RETIREMENT CONSULTING

The Registrant also provides non-discretionary retirement plan consulting services, where it assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds) that plan participants can choose in self-directing the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, the Registrant shall also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. If the client accounts are part of an employee benefit plan governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), we acknowledge that we are a fiduciary within the meaning of Section 3(21) of ERISA (but only with respect to the provision of investment advice provided to the plan's sponsor).

MISCELLANEOUS

Limitations of Financial Planning and Non-Investment Consulting/Implementation Services. As indicated above, to the extent requested by the client, Registrant may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Registrant does not serve as a law firm or accounting firm, and no portion of its services should be construed as legal or accounting services. Accordingly, Registrant does not prepare estate planning documents or tax returns. To the extent requested by a client, Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e., attorneys, accountants, insurance agents). The client is under no obligation to engage the services of any recommended professional. The client retains absolute discretion over all implementation decisions and is free to accept or reject any recommendation from Registrant or its representatives. If the client engages any recommended unaffiliated professional, and a dispute arises thereafter, the client agrees to seek recourse exclusively from and against the engaged professional.

Retirement Rollovers. A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted,

(iii) roll over to an Individual Retirement Account (“IRA”), or (iv) cash out the account value (which could, depending upon the client’s age, result in adverse tax consequences). The Registrant does not generally provide recommendations on rollovers to clients. Instead, upon request, the Registrant may provide educational materials to the client for the client’s consideration as the client determines whether a rollover is appropriate for their individual situation. No client is under any obligation to roll over retirement plan assets to an account managed by Registrant.

Unaffiliated Private Investment Funds. Registrant also provides investment advice regarding private investment funds. Registrant, on a non-discretionary basis, may recommend that certain qualified clients consider an investment in private investment funds, the description of which (the terms, conditions, risks, conflicts and fees, including incentive compensation) is set forth in the fund’s offering documents. Registrant’s role relative to unaffiliated private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become an unaffiliated private fund investor, the amount of assets invested in the fund(s) shall be included as part of “assets under management” for purposes of Registrant calculating its investment advisory fee. Registrant’s fee shall be in addition to the fund’s fees. Registrant’s clients are under absolutely no obligation to consider or make an investment in any private investment fund(s).

Risks. Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund’s offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may own, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that the client is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

Valuation. In the event that Registrant references private investment funds owned by the client on any supplemental account reports prepared by Registrant, the value(s) for all private investment funds owned by the client shall reflect the most recent valuation provided by the fund sponsor. However, if subsequent to purchase, the fund has not provided an updated valuation, the valuation shall reflect the initial purchase price. If subsequent to purchase, the fund provides an updated valuation, then the statement will reflect that updated value. The updated value will continue to be reflected on the report until the fund provides a further updated value.

As result of the valuation process, if the valuation reflects initial purchase price or an updated value subsequent to purchase price, the current value(s) of an investor’s fund holding(s) could be significantly more or less than the value reflected on the report. Unless otherwise indicated, Registrant shall calculate its fee based upon the latest value provided by the fund sponsor

Interval Funds/Risks and Limitations: Where appropriate, Registrant may utilize interval funds (and other types of securities that could pose additional risks, including lack of liquidity and restrictions on withdrawals). An interval fund is a non-traditional type of closed-end mutual fund that periodically offers to buy back a percentage of

outstanding shares from shareholders. Investments in an interval fund involve additional risk, including lack of liquidity and restrictions on withdrawals.

During any time periods outside of the specified repurchase offer window(s), investors will be unable to sell their shares of the interval fund. There is no assurance that an investor will be able to tender shares when or in the amount desired. There can also be situations where an interval fund has a limited amount of capacity to repurchase shares and may not be able to fulfill all purchase orders. In addition, the eventual sale price for the interval fund could be less than the interval fund value on the date that the sale was requested.

While an interval fund periodically offers to repurchase a portion of its securities, there is no guarantee that investors may sell their shares at any given time or in the desired amount. As interval funds can expose investors to liquidity risk, investors should consider interval fund shares to be an illiquid investment. Typically, the interval funds are not listed on any securities exchange and are not publicly traded. Therefore, there is no secondary market for the fund's shares.

Because these types of investments involve certain additional risk, these funds will only be utilized when consistent with a client's investment objectives, individual situation, suitability, tolerance for risk and liquidity needs. Investment should be avoided where an investor has a short-term investing horizon and/or cannot bear the loss of some, or all, of the investment. There can be no assurance that an interval fund investment will prove profitable or successful. In light of these enhanced risks, a client may direct Registrant, in writing, not to purchase interval funds for the client's account.

Educational Seminars. The Registrant may provide educational seminars and workshops about general financial planning and investment advisory topics on an infrequent and limited basis. The Registrant does not receive any form of compensation in exchange for this service.

Non-Discretionary Service Limitations. Clients that determine to engage the Registrant on a non-discretionary investment advisory basis must be willing to accept that the Registrant cannot affect any account transactions without obtaining the client's consent. For instance, although the firm does not recommend market timing as an investment strategy, in the event of a market correction event where the firm cannot reach the client, a client may suffer investment losses or miss potential investment gains.

Upon request, Registrant may provide advice to clients regarding their employer-sponsored retirement plan accounts on a non-discretionary basis. Registrant does not execute trades on the advice it provides on accounts held away from Schwab. In addition, the Registrant does not maintain client's login credentials to assist with managing these accounts.

Socially Responsible (ESG) Investing Limitations. Socially Responsible Investing involves the incorporation of Environmental, Social and Governance ("ESG") considerations into the investment due diligence process. ESG investing incorporates a set of criteria/factors used in evaluating potential investments: Environmental (i.e., considers how a company safeguards the environment); Social (i.e., the manner in which a company manages relationships with its employees, customers, and the communities in which it operates); and Governance (i.e., company management considerations). The

number of companies that meet an acceptable ESG mandate can be limited when compared to those that do not and could underperform broad market indices. Investors must accept these limitations, including potential for underperformance. Correspondingly, the number of ESG mutual funds and exchange-traded funds are limited when compared to those that do not maintain such a mandate. As with any type of investment (including any investment and/or investment strategies recommended and/or undertaken by Registrant), there can be no assurance that investment in ESG securities or funds will be profitable or prove successful. Registrant does not maintain or advocate an ESG investment strategy but will seek to employ ESG if directed by a client to do so. If implemented, Registrant shall rely upon the assessments undertaken by the unaffiliated mutual fund, exchange traded fund or separate account portfolio manager to determine that the fund's or portfolio's underlying company securities meet a socially responsible mandate.

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

Cash Sweep Accounts. Certain account custodians can require that cash proceeds from account transactions or new deposits, be swept to and/or initially maintained in a specific custodian designated sweep account. The yield on the sweep account will generally be lower than those available for other money market accounts. When this occurs, to help mitigate the corresponding yield dispersion Registrant shall (usually within 30 days thereafter) generally (with exceptions) purchase a higher yielding money market fund (or other type security) available on the custodian's platform, unless Registrant reasonably anticipates that it will utilize the cash proceeds during the subsequent 30-day period to purchase additional investments for the client's account. Exceptions and/or modifications can and will occur with respect to all or a portion of the cash balances for various reasons, including, but not limited to the amount of dispersion between the sweep account and a money market fund, the size of the cash balance, an indication from the client of an imminent need for such cash, or the client has a demonstrated history of writing checks from the account.

The above does not apply to the cash component maintained within a Registrant actively managed investment strategy (the cash balances for which shall generally remain in the custodian designated cash sweep account), an indication from the client of a need for access to such cash, assets allocated to an unaffiliated investment manager and cash balances maintained for fee billing purposes.

The client shall remain exclusively responsible for yield dispersion/cash balance decisions and corresponding transactions for cash balances maintained in any Registrant unmanaged accounts.

Diversification Limitations: The Registrant's managed portfolios may include concentrated investment positions that could enhance portfolio risk and reward. Accounts

managed by the Registrant may not constitute a fully diversified or balanced portfolio that is suitable for investment of all of the client's assets.

Client Obligations. The Registrant will not be required to verify any information received from the client or from the client's other professionals and is expressly authorized to rely on the information in its possession. Clients are responsible for promptly notifying the Registrant if there is ever any change in their financial situation or investment objectives so that the Registrant can review, and if necessary, revise its previous recommendations or services.

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

Disclosure Statement. A copy of the Registrant's written Brochure as set forth on Part 2 of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement or Financial Planning and Consulting Agreement*.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will determine each client's investment objectives. Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of March 25, 2024, the Registrant had \$102,220,171 in assets under management on a discretionary basis and \$40,931,657 in assets under management on a nondiscretionary basis, and in total managed approximately \$143,151,828.

Item 5 Fees and Compensation

- A. The client can determine to engage the Registrant to provide discretionary or non-discretionary investment advisory services in accordance with the descriptions and discussions of fees below.

INVESTMENT ADVISORY SERVICES

If a client determines to engage the Registrant to provide discretionary or non-discretionary investment advisory services, the Registrant's annual investment advisory fee shall be based upon a percentage of the market value placed under the Registrant's management, generally as follows:

| <u>Market Value of Portfolio</u> | <u>% of Assets</u> |
|----------------------------------|--------------------|
| \$100,000 to \$250,000 | 2.00% |
| \$250,001 to \$500,000 | 1.75% |
| \$500,001 to \$750,000 | 1.50% |
| \$750,001 to \$1,000,000 | 1.25% |
| \$1,000,001 to \$5,000,000 | 1.00% |
| \$5,000,001 to \$10,000,000 | 0.75% |
| \$10,000,001 plus | 0.60% |

Registrant's annual investment advisory fee shall include investment advisory services, and, to the extent specifically requested by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of the Registrant), the Registrant may determine to charge for such additional services, the dollar amount of which shall be separately agreed to in a separate Financial Planning Agreement executed by and between the Registrant and the client.

The investment advisory fee is negotiable at Registrant's discretion, depending upon objective and subjective factors including but not limited to the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professionals rendering service; and negotiations with the client. Similarly situated clients could pay different fees, the services to be provided by the Registrant to any particular client could be available from other advisers at lower fees, and certain clients may have fees different than those specifically set forth above.

Sub-Advisory Relationships

The Registrant may provide sub-advisory services to other investment advisers. In those cases, the Registrant's investment advisory fee is generally based upon a percentage of the market value placed under the Registrant's management between 0.10% and 0.75%, and is subject to negotiation between the parties.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

Registrant's planning and consulting fees are negotiable, but generally are performed are performed at an annual rate between \$1,000 and \$5,000 or from \$250 to \$500 on an hourly rate basis. Such fees may be reduced or increased, in the Registrant's sole

discretion, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Generally, fees shall be greater the more time a relationship is expected to take and more complex a client's situation. A client with many descendants and trusts will likely incur a higher fee for estate and financial planning services. In addition, a client with more assets, real estate, IRAs and 401ks may incur higher fees. The Registrant will discuss fees with the client in advance of the relationship. In the event the Registrant expects the fee to vary materially from the work performed for a client prior to the services being rendered in each successive year, the Registrant will notify the client, and may request an amendment to the contract or a new contract be entered. Fees for financial planning services are generally billed at the time they are performed and payment is due within thirty days of receipt of an invoice.

RETIREMENT CONSULTING

As described above in Item 4, the Registrant provides non-discretionary retirement plan consulting services. The Registrant's annual fee is generally based on a percentage of the market value of the plan that the Registrant provides consulting services to and typically ranges from 0.25% to 1.00% depending on negotiations with the plan sponsor. The Registrant's retirement consulting fee is prorated and generally paid quarterly, in arrears, based on the value of the assets on the last business day of the prior quarter.

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in arrears, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that Charles Schwab and Co., Inc. ("*Schwab*") serve as the broker-dealer/custodian for client investment management assets.

Broker-dealers such as *Schwab* charge brokerage commissions, transaction, and/or other type fees for effecting certain types of securities transactions (i.e., including transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions, etc.). The types of securities for which transaction fees, commissions, and/or other type fees (as well as the amount of those fees) shall differ depending upon the broker-dealer/custodian. While certain custodians, including *Schwab*, generally (with the potential exception for large orders) do not currently charge fees on individual equity transactions (including ETFs), others do.

There can be no assurance that *Schwab* will not change their transaction fee pricing in the future.

Schwab may also assess fees to clients who elect to receive trade confirmations and account statements by regular mail rather than electronically.

Clients will incur, in addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, and, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g., management fees and other fund expenses).

When beneficial to the client, individual fixed-income and/or equity transactions may be affected through broker-dealers with whom Registrant and/or the client have entered into arrangements for prime brokerage clearing services, including effecting certain client transactions through other SEC registered and FINRA member broker-dealers (in which event, the client generally will incur both the transaction fee charged by the executing broker-dealer and a "trade away" fee charged by *Schwab*). Please also refer to Item 12 with respect to brokerage practices.

- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in arrears, based upon the market value of the assets on the last business day of the previous quarter. The Registrant generally charges an annual financial planning fee of between \$1,000 and \$5,000 or from \$250 to \$500 on an hourly rate basis for all new financial planning clients.

The Registrant, in its sole discretion, may reduce or waive its annual financial planning fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.) and instead charge a \$100 minimum annual fee. The Registrant does not generally have any minimum account size requirements, but reserves the rights to select its clients.

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall debit the account for the pro-rated portion of the unpaid advisory fee based upon the number of days that services were provided during the billing quarter.

The Financial Planning Agreement will continue in effect until terminated by either party upon receipt of written notice. Upon termination, the Registrant shall calculate any fees owed and send the client an itemized invoice to the client. Upon payment of the final invoice, the Registrant will deliver any remaining final work product. The Registrant reserves the right to retain any partially prepared work product, as the receipt of any partially prepared planning services may be materially misleading or incomplete to a client. Where the Registrant determines that a partial delivery of a financial plan would not be misleading, it may choose to deliver such partial financial plan.

- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

Item 7 Types of Clients

The Registrant's clients shall generally include individuals, business entities, pensions and profit sharing plans, trusts, estates, charitable organizations, and other investment advisers. Please see Item 5 for a complete disclosure on our account minimums and fees.

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

A. The Registrant may utilize the following methods of security analysis:

- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
- Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Margin Transactions (use of borrowed assets to purchase financial instruments)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)
- Short Selling (contracted sale of borrowed securities with an obligation to make the lender whole).

Investment Risk. Investing in securities involves a risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

B. The Registrant's methods of analysis and investment strategies do not present any *significant* or *unusual* risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every

investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, the Registrant may also implement and/or recommend –use of margin, options, and/or short selling transactions. Each of these strategies has a high level of inherent risk. (See discussion below).

Margin Transactions. A margin transaction strategy, in which an investor uses borrowed assets to purchase financial instruments, involves a high level of inherent risk. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. To the extent that a client authorizes the use of margin, and margin is thereafter employed by the Registrant in the management of the client’s investment portfolio, the market value of the client’s account and corresponding fee payable by the client to the Registrant may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest whereby the client’s decision to employ margin may correspondingly increase the management fee payable to the Registrant. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

Options Strategies. The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by the Registrant shall be with the intent of offsetting/”hedging” a potential market risk in a client’s portfolio. Although the intent of the options-related transactions that may be implemented by the Registrant is to hedge against principal risk, certain of the options-related strategies (i.e., straddles, short positions, etc.), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct the Registrant, in writing, not to employ any or all such strategies for their accounts.

Short Sales. Short selling, which involves the selling of assets that the investor does not own, is an investment strategy with a high level of inherent risk. The investor borrows the assets from a third party lender (i.e., Broker-Dealer) with the obligation of buying identical assets at a later date to return to the third party lender. Individuals who engage in this activity shall only profit from a decline in the price of the assets between the original date of sale and the date of repurchase. Conversely, the short seller will incur a

loss if the price of the assets rises. Other costs of shorting may include a fee for borrowing the assets and payment of any dividends paid on the borrowed assets.

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

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

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

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

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

- C. Currently, the Registrant primarily allocates client investment assets among various individual equity (stocks), debt (bonds) and fixed income securities, mutual funds and/or ETFs (including inverse ETFs and/or mutual funds that are designed to perform in an inverse relationship to certain market indices) and *fee-only* variable annuities, on a discretionary and non-discretionary basis in accordance with the client's designated investment objectives.

Item 9 Disciplinary Information

- A. The Registrant has not been the subject of any criminal or civil action in a domestic, foreign or military court of competent jurisdiction.
- B. The Registrant has not been the subject of any proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.
- C. The Registrant has not been the subject of any proceeding before a self-regulatory organization.

Item 10 Other Financial Industry Activities and Affiliations

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Certified Public Accounting Firm.** Certain of the Registrant's representative are also employed by or have ownership interests in certified public accounting firms. Specifically, to the extent that any of these individuals provides accounting and/or tax preparation services to any clients, including clients of the Registrant, all services shall be performed by these firms, independent of the Registrant, for which services Registrant shall not receive any portion of the fees charged. It is expected that the members of these accounting firms may recommend the Registrant's services to certain clients. The accounting firms are not involved in providing investment advice on behalf of the Registrant, nor do they hold themselves out as providing advisory services on behalf of the Registrant. These relationships present a conflict of interest. No individual or entity is required to utilize the Registrant or any recommended accounting firm's services.

Licensed Insurance Agent. Certain of the Registrant's representatives are licensed insurance agents and may recommend the purchase of certain insurance-related products on a commission basis. If your representative is involved in these activities, it will be described in his or her brochure supplement. The recommendation that a client purchase an insurance product presents a conflict of interest, as the receipt of commissions provides an incentive to recommend investment products based on commissions received, rather than on a particular client's need. We mitigate this conflict of interest by disclosing it to clients. No client is under any obligation to purchase any commission products from our representatives. Clients are reminded that they may purchase insurance products recommended by Registrant through other, non-affiliated insurance agents. The Registrant's representatives will only offer insurance in states where they are appropriately licensed to sell insurance or exempt from licensing.

- D. The Registrant does not directly recommend or select other investment advisers on behalf of clients, although it may select mutual funds or ETFs managed by other investment advisers. The Registrant does not receive compensation from these investment advisers for recommending or selecting their mutual funds or ETFs.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which has been adopted as a best practice, and which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust. A copy of Registrant's Code of Ethics is available upon request.

In accordance with best practices, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons". The Registrant's securities transaction policy requires that Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of the their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11 C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

Item 12 Brokerage Practices

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

Factors that the Registrant considers in recommending *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to seek best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee.

1. Non-Soft Dollar Research and Additional Benefits

Registrant receives from Schwab (and potentially other broker-dealers, custodians, investment platforms, unaffiliated investment managers, vendors, or fund sponsors) free or discounted support services and products. Certain of these products and services assist the Registrant to better monitor and service client accounts maintained at these institutions. The support services that Registrant obtains can include investment-related research; pricing information and market data; compliance or practice management-related publications; discounted or free attendance at conferences, educational or social events; or other products used by Registrant to further its investment management business operations.

Certain of the support services or products received may assist the Registrant in managing and administering client accounts. Others do not directly provide this assistance, but rather assist the Registrant to manage and further develop its business enterprise.

There is no corresponding commitment made by the Registrant to any broker-dealer or custodian or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products because of the above arrangements.

Additional Benefits

Registrant may receive additional economic benefits ("Additional Benefits") that may or may not be offered to the Registrant again in the future. Specifically, the Additional Benefits may include partial payment for certain marketing or client events. Additional Benefits would typically be payments to third party vendors, not expected to exceed \$5,000 per year. Each payment is non-recurring and individually negotiated. The Registrant has no expectation that these Additional Benefits will be offered again; however, the Registrant reserves the right to negotiate for these Additional Benefits in the future.

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

In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance. Higher transaction costs adversely impact account performance. Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

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

Item 13 Review of Accounts

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an periodic basis by the Registrant's Principals or representatives associated with the particular client account to compare client investment objectives with current allocations. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment

objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.

- B. The Registrant *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance in its sole discretion, which may be issued as often as quarterly.

Item 14 Client Referrals and Other Compensation

- A. Please see Item 12.A.1 above for a discussion of the economic benefits that Registrant receives from *Schwab*.
- B. The Registrant does not compensate, directly or indirectly, any person, other than its representatives, for client referrals. QFA will not use solicitors in Pennsylvania until they are properly registered or exempt from registration under the Pennsylvania Securities Act of 1972, as amended.

Item 15 Custody

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian. The Registrant provides information about the fees it charges each client to the custodian at the same time it sends a copy of its invoice to the client. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance. Clients should carefully review statements received from the custodian.

To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

Item 16 Investment Discretion

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, client shall be required to execute an *Investment Advisory Agreement*, naming the Registrant as client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account. Registrant has discretion to select

the broker/dealer to be utilized to effect investment transactions. Please refer to Item 12 above for more information regarding Registrant's brokerage practices.

Clients who engage the Registrant on a discretionary basis may, at any time, impose restrictions, in writing, on the Registrant's discretionary authority (i.e., limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

Item 17 Voting Client Securities

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

The Registrant will not be responsible and each client has the right and responsibility to take any actions with respect to any legal proceedings, including without limitation, bankruptcies and shareholder litigation, and the right to initiate or pursue any legal proceedings, including without limitation, shareholder litigation, including with respect to transactions, securities or other investments held in the client's account or the issuers thereof. The Registrant is not obligated to render any advice or take any action on a client's behalf with respect to securities or other property held in the client's account, or the issuers thereof, which become the subject of any legal proceedings, including without limitation, bankruptcies and shareholder litigation, to which any securities or other investments held or previously held in the account, or the issuers thereof, become subject.

- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

Item 18 Financial Information

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

Quantum Financial Advisors Chief Compliance Officer, Joseph F. Rinaldi, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.