

**Item 1: Cover Page  
Part 2A of Form ADV: Firm Brochure  
March 2023**



**Quantum Financial Advisors, LLC**

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Manhattan Beach, CA, 90266  
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**Firm Contact:  
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Chief Compliance Officer**

This brochure provides information about the qualifications and business practices of Quantum Financial Advisors, LLC. If clients have any questions about the contents of this brochure, please contact us at (424) 447-8268 (424-44QUANT) or [info@quantumadvisors.com](mailto:info@quantumadvisors.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 our firm is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD #317386.

Please note that the use of the term "registered investment adviser" and description of our firm and/or our associates as "registered" does not imply a certain level of skill or training. Clients are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise clients for more information on the qualifications of our firm and our employees.

## Item 2: Material Changes

Quantum Financial Advisors, LLC is required to notify clients of any information that has changed since the last annual update of the Firm Brochure (“Brochure”) that may be important to them. Clients can request a full copy of our Brochure or contact us with any questions that they may have about the changes.

Since our firm was approved for registration with the Securities and Exchange Commission on January 3, 2022, our firm has the following material changes to report:

- We have updated Item 1 to disclose that our firm’s primary office address is 1230 Rosecrans Ave Suite 300, Manhattan Beach, CA, 90266.
- Our firm has amended Item 4 to disclose that our firm primarily recommends exchange traded funds (“ETFs”), mutual funds, and separately managed accounts (“SMAs”) for our “Total Market” and “Sustainable” portfolios. The Total Market portfolio is primarily designed with ETFs and mutual funds offered by Avantis Investors and Dimensional Fund Advisors (“DFA”). The Sustainable portfolio is primarily designed with mutual funds offered by DFA. Selected SMAs that invest in stocks are managed by DFA while SMAs that invest in bonds are managed by Wasmer Schroeder Strategies. Please see Item 4 for additional information.
- Our firm has amended Item 4 to disclose that clients can hold investments that we do not normally invest in, such as legacy holdings, that will be subject to rules-based trading, driven by tax and financial planning considerations, and are not based on an analysis of the circumstances of the underlying companies, nor an analysis of market and economic conditions, nor a determination of the optimal timing or the optimal stock valuation at which to sell. Please see Item 4 for more information.
- Our firm has amended Item 8 to better describe the risks associated with our investment strategies. Please see Item 8 for more information.
- Our firm has amended Items 4 & 5 to disclose that we offer a Retirement Plan Consulting service for ERISA Plan Sponsors. Fees for are based on a percentage of managed Plan assets and will not exceed 1.00%. Please see Items 4 & 5 for more information.
- Our firm is excited to announce that we have included John Eing, Elizabeth Greulich, Wende Headley, and Ryan Anthony Balderian as owners of our firm.
- Our firm’s financial professionals are no longer owners or are registered as investment advisor representatives of Abacus Wealth Partners, LLC. This affiliation has been removed from Item 10.
- Our firm has updated Item 5 to clarify that the maximum fee charged for clients that we recommend SMAs is 0.30%. This fee is separate from and in addition to our firm’s fee for our advisory services. The combined fee for our Comprehensive Portfolio Management service and for clients utilizing SMAs will not exceed 1.30%.
- Our firm has amended Item 8 to more accurately describe the investment strategies and guiding principles that our firm uses as a basis for our investment decisions.
- Our firm has updated Item 5 & Item 7 to clarify the fees and fee-paying arrangements for our Comprehensive Portfolio Management service for clients whose management fee is less than \$10,000. In addition to this, our firm has removed our maximum hourly fee from Financial Planning & Consulting as we do not charge on an hourly basis, and have increased our maximum flat fee to \$36,000.

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## Item 4: Advisory Business

Quantum Financial Advisors, LLC (“We”, “our firm”, or “Quantum”) is a registered investment advisor dedicated to providing individuals and other types of clients with a wide array of investment advisory and financial planning services. Our firm is a limited liability company formed under the laws of the State of California in 2021 and has been in business as an investment adviser since 2022. Our firm is owned by David DeWolf, John Eing, Elizabeth Greulich, Wende Headley, Darius Gagne, Scott Swanson, and Ryan Anthony Balderian who are also licensed investment advisor representatives (“IARs”) of Quantum.

The purpose of this Brochure is to disclose the conflicts of interest associated with the investment transactions, compensation and any other matters related to investment decisions made by our firm or its representatives. As a fiduciary, it is our duty to always act in the client’s best interest. This is accomplished in part by knowing our client. Our firm has established a service-oriented advisory practice with open lines of communication for clients to help meet their financial goals while remaining sensitive to risk tolerance and time horizons. Working collaboratively with our clients to understand their investment objectives, while providing education about our process, facilitates the kind of working relationship our clients and we value.

### **Types of Advisory Services Offered**

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#### **Comprehensive Portfolio Management:**

We provide Comprehensive Portfolio Management, which includes asset management, financial planning or consulting services. This service is designed to assist clients in meeting their financial goals through the use of a financial plan or consultation. Our firm conducts client meetings to understand their current financial situation, existing resources, financial goals, and tolerance for risk. Based on what is learned, an investment approach is presented to the client, consisting primarily of:

- exchange traded funds (“ETFs”) that invest in stocks
- ETFs that invest in real estate investment trusts (“REITs”)
- ETFs that invest in bonds
- mutual funds that invest in stocks
- mutual funds that invest in REITs
- mutual funds that invest in bonds
- separately managed accounts (“SMAs”) that invest in stocks
- SMAs that invest in bonds.

Once the appropriate portfolio has been determined, portfolios are continuously and regularly monitored, and rebalanced, as necessary, based upon the client’s individual needs, stated goals and objectives. Upon client request, our firm provides a summary of observations and recommendations for the planning or consulting aspects of this service.

We offer two types of portfolios, “Total Market” and “Sustainable”, each designed to have a similar risk and return profile. The Total Market portfolio invests in all available industries and does not exclude any companies. The portfolio is primarily designed with ETFs and mutual funds offered by Avantis Investors and Dimensional Fund Advisors (“DFA”), but also includes Vanguard. The Sustainable portfolio divests

from fossil fuel companies in most of its funds. Also, in most of its funds that invest in stocks it allocates more to companies that rank higher on environmental criteria and allocates less to companies that rank lower on environmental criteria, than the allocation to those same companies in the Total Market portfolio. The portfolio is primarily designed with mutual funds offered by DFA, but also includes Avantis Investors and Vanguard. DFA is responsible for ranking companies based on environmental criteria (which they do using data from specialized vendors such as MSCI, Inc.).

In cases where specific companies or industries need to be excluded from the portfolio or specific tax strategies need to be deployed, we will use a separately managed account (“SMA”) for stocks, or an SMA for bonds, or both, within the Total Market or Sustainable portfolios, and those SMAs will replace certain ETFs or mutual funds. SMAs that invest in stocks are managed by DFA while SMAs that invest in bonds are managed by Wasmer Schroeder Strategies (owned by Charles Schwab Investment Management, Inc.). The SMAs used in the Total Market portfolio have exclusions that are unrelated to environmental concerns, but otherwise have a similar design as the funds used in the Total Market portfolio. The SMAs in the Sustainable portfolio have a similar design as the funds in the Sustainable portfolio, including the environmental focus, but add additional exclusions that the funds do not provide which may or may not be environmental related.

In terms of investment style, the ETFs, mutual funds, and SMAs that invest in stocks in the Total Market portfolio allocate more to small capitalized (“small cap”) companies, low price-to-book (“value”) companies, and high profitability-to-book (“high prof”) companies, while allocating less to large capitalized (“large cap”) companies, high price-to-book (“growth”) companies, and low profitability-to-book (“low prof”) companies, than the allocations would be to those same companies in a market-capitalized (“market cap”) weighted portfolio. The Sustainable Portfolio is built on the same style design, but within each ‘style bucket’ (whose metrics are company size, price-to-book, profitability-to-book), an additional over-weighting and underweighting based on environmental scoring is performed as described above in such a way that the metrics of the style bucket are preserved. As a result of the investment style of the two portfolios, the composition of underlying companies, as well as the performance of the portfolios, can vary significantly from widely used benchmark indices.

Portfolios can hold investments that our firm does not normally invest in, the most common situation being legacy holdings that the client bought before working with our firm which would incur significant capital gains if sold. The most common types of such investments are individual stocks, mutual funds that invest in stocks, ETFs that invest in stocks, and annuities.

Depending on how well the investment is suited to the client’s goals and circumstances, the degree of taxation required to liquidate the investment, and the liquidity of the investment, a plan is often put in place to liquidate the investment over a specific period of time agreed to by the client and the Quantum IAR. Trades for these assets, including individual stocks, are rules-based (such as selling a certain percentage of the shares each year), driven by tax and financial planning considerations, and are not based on an analysis of the circumstances of the underlying companies, nor an analysis of market and economic conditions, nor a determination of the optimal timing or the optimal stock valuation at which to sell. Those trades may be discretionary or non-discretionary as agreed to between the client and the Quantum IAR. A liquidation plan is not always appropriate or needed, such as if the investment is well suited to the client’s goals.

### **Financial Planning & Consulting:**

Our firm provides a variety of financial planning and consulting services to clients for the management of financial resources based upon an analysis of their current situation, goals, and objectives. Financial planning services will typically involve preparing a financial plan or rendering a financial consultation for clients based on the client's financial goals and objectives. This planning or consulting could encompass Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning, Cost Segregation Study, Corporate Structure, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, or Business and Personal Financial Planning.

Written financial plans or financial consultations rendered to clients usually include general recommendations for a course of activity or specific actions to be taken by the clients. Implementation of the recommendations will be at the discretion of the client. Our firm provides clients with a summary of their financial situation, and observations for financial planning engagements. Financial consultations are not typically accompanied by a written summary of observations and recommendations, as the process is less formal than the planning service. Assuming that all the information and documents requested from the client are provided promptly, plans or consultations are typically completed within 6 months of the client signing a contract with our firm.

### **Retirement Plan Consulting:**

Our firm provides retirement plan consulting services to employer plan sponsors on an ongoing basis. Generally, such consulting services consist of assisting employer plan sponsors in establishing, monitoring and reviewing their company's participant-directed retirement plan. As the needs of the plan sponsor dictate, areas of advising may include:

- Establishing an Investment Policy Statement – Our firm will assist in the development of a statement that summarizes the investment goals and objectives along with the broad strategies to be employed to meet the objectives.
- Investment Options – Our firm will work with the Plan Sponsor to evaluate existing investment options and make recommendations for appropriate changes.
- Asset Allocation and Portfolio Construction – Our firm will develop strategic asset allocation models to aid Participants in developing strategies to meet their investment objectives, time horizon, financial situation and tolerance for risk.
- Investment Monitoring – Our firm will monitor the performance of the investments and notify the client if any changes are recommended.
- Participant Education – Our firm will provide opportunities to educate plan participants about their retirement plan offerings, different investment options, and general guidance on allocation strategies.

In providing services for retirement plan consulting, our firm does not provide any advisory services with respect to the following types of assets: employer securities, real estate (excluding real estate funds and publicly traded REITs), participant loans, non-publicly traded securities or assets, other illiquid investments, or brokerage window programs (collectively, "Excluded Assets"). All retirement plan consulting services shall be in compliance with the applicable state laws regulating retirement consulting services. This applies to client accounts that are retirement or other employee benefit plans ("Plan") governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). If the client

accounts are part of a Plan, and our firm accepts appointment to provide services to such accounts, our firm acknowledges its fiduciary standard within the meaning of Section 3(21) of ERISA as designated by the Retirement Plan Consulting Agreement with respect to the provision of services described therein.

### **Tailoring of Advisory Services**

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Our firm offers individualized investment advice to our Comprehensive Portfolio Management clients. General investment advice will be offered to our Financial Planning & Consulting and Retirement Plan Consulting clients. Each Comprehensive Portfolio Management client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account.

### **Participation in Wrap Fee Programs**

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Our firm does not offer or sponsor a wrap fee program.

### **Regulatory Assets Under Management**

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As of December 31<sup>st</sup>, 2022, our firm manages \$800,176,525 on a discretionary basis and \$16,104,845 on a non-discretionary basis in assets under management.

## **Item 5: Fees & Compensation**

### **Compensation for Our Advisory Services**

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#### **Comprehensive Portfolio Management:**

Our firm's maximum annual fee charged for this service will not exceed 1.25%. Fees to be assessed will be outlined in the advisory agreement to be signed by the client. Our firm may charge an additional fee for financial planning and consulting services to clients if their annual fee is less than \$10,000. The combined fee in those cases will not exceed \$10,000. Annualized fees are billed on a pro-rata basis monthly in advance based on the value of the account(s) on the last day of the previous month. Fees are negotiable and will be deducted from client account(s). Our firm offers direct invoicing on a case-by-case basis.

Our firm recommends SMAs in certain cases. The selected manager's fees are separate from and in addition to our firm's fees. The combined maximum fee for clients utilizing SMAs and our firm's fees will not exceed 1.30%. Exact fees and fee-paying arrangements charged by SMA's will be disclosed in the SMA's advisory agreement (that is separate from our firm's), Firm Brochure, or other disclosure document(s). The SMA's fees will be deducted directly from the clients' account. Our firm does not receive a portion of these fees and the SMAs' fees do not have any bearing on the fee our firm charges for our services.

Client understands the following:

- a) The client's independent custodian sends statements at least quarterly showing the market values for each security included in the assets and all account disbursements, including the amount of the advisory fees paid to our firm.
- b) Clients will provide authorization permitting our firm to be directly paid by these terms. Our firm will send an invoice directly to the custodian.
- c) If our firm sends a copy of our invoice to the client or makes a copy of our invoice accessible via a client portal, our invoice will include a disclosure urging the client to compare the information provided in our statement with those from the qualified custodian.

### **Financial Planning & Consulting:**

Our firm includes financial planning in our *Comprehensive Portfolio Management* service for clients whose investment management fee exceeds \$10,000 annually. For clients who wish to engage our firm for extraordinary (unusually specialized or complex) financial planning and consulting services, our firm may charge an additional fee in the form of a monthly retainer or flat annual fee. The total estimated fee, as well as the ultimate fee charged, is based on the scope and complexity of our engagement with the client. The additional fee will not exceed \$36,000. Exact fees and payment arrangements for our Financial Planning & Consulting clients will be made on a case-by-case basis as outlined in the client's advisory agreement.

### **Retirement Plan Consulting:**

Fees for our Retirement Plan Consulting services are based on a percentage of managed Plan assets and will not exceed 1.00%. The fee-paying arrangements will be determined on a case-by-case basis and will be detailed in the signed consulting agreement.

### **Other Types of Fees & Expenses**

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Clients will incur transaction fees for trades executed by their chosen custodian, either based on a percentage of the dollar amount of assets in the account(s) or via individual transaction charges. These transaction fees are separate from our firm's advisory fees and will be disclosed by the chosen custodian. Charles Schwab & Co., Inc. ("Schwab") & TD Ameritrade, Inc. ("TD Ameritrade"), do not charge transaction fees for U.S. listed equities and exchange traded funds.

Clients also pay any applicable holdings charges imposed by the chosen custodian for certain investments, charges imposed directly by a mutual fund, SMA, index fund, or exchange traded fund, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), distribution fees, surrender charges, variable annuity fees, IRA and qualified retirement plan fees, mark-ups and mark-downs, spreads paid to market makers, fees for trades executed away from custodian, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. Our firm does not receive a portion of these fees.

For clients that our firm recommends SMAs, the SMA's fees will not exceed 0.30%. Exact fees charged by SMA's will be disclosed in the SMA's advisory agreement (that is separate from our firm's), Firm Brochure, or other disclosure document(s). The fees for SMAs will be deducted directly from the clients' account according to the fee-paying arrangements as outlined in the SMA's disclosure documents. These fees are



separate from and in addition to our firm's fees. Our firm does not receive a portion of these fees and the SMAs' fees do not have any bearing on the fee our firm charges for our services. The total maximum fee charged by our firm for clients that we recommend SMA's, is disclosed above in our description of our *Comprehensive Portfolio Management* service.

### **Termination & Refunds**

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Either party may terminate the advisory agreement signed with our firm for Comprehensive Portfolio Management services in writing at any time. Upon notice of termination, our firm will process a pro-rata refund of the unearned portion of the advisory fees charged in advance.

Financial Planning & Consulting clients may terminate their agreement at any time before the delivery of a financial plan by providing written notice. For purposes of calculating refunds, all work performed by us up to the point of termination shall be calculated at the hourly fee currently in effect. Clients will receive a pro-rata refund of unearned fees based on the time and effort expended by our firm.

Either party to a Retirement Plan Consulting Agreement may terminate at any time by providing written notice to the other party. Full refunds will only be made in cases where cancellation occurs within 5 business days of signing an agreement. After 5 business days from initial signing, either party must provide the other party 30 days written notice to terminate billing. Billing will terminate 30 days after receipt of termination notice. Clients will be charged on a pro-rata basis, which takes into account work completed by our firm on behalf of the client. Clients will incur charges for bona fide advisory services rendered up to the point of termination (determined as 30 days from receipt of said written notice) and such fees will be due and payable.

### **Commissionable Securities Sales**

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Our firm and representatives do not earn commissions.

## **Item 6: Performance-Based Fees & Side-By-Side Management**

Our firm does not charge performance-based fees.

## **Item 7: Types of Clients & Account Requirements**

Our firm has the following types of clients: *Individuals, Families and High Net Worth Individuals; Trusts, Estates and Charitable Organizations; Pension and Profit Sharing Plans; Corporations, Limited Liability Companies and/or Other Business Types*

Our firm does not impose requirements for opening and maintaining accounts or otherwise engaging us. However, our firm may charge an additional fee for financial planning and consulting services for clients who engage us for *Comprehensive Portfolio Management* services if their annual fee is less than \$10,000. Please see Item 5 of this Brochure for more information about this fee.

Our firm in its sole discretion, may waive this requirement or additional fee based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and pro bono activities.

## Item 8: Methods of Analysis, Investment Strategies & Risk of Loss

### Methods of Analysis

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Our firm primarily employs a fundamental method of investment analysis. Fundamental analysis involves the fundamental financial condition and competitive position of a company. Our firm will analyze the financial condition, capabilities of management, earnings, new products, and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

### Investment Strategies We Use

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Our firm has adopted an asset class investing approach. Our firm reviews the performance of various asset classes over long periods of time to determine its sector allocations for its models, then chooses no load mutual funds to obtain the appropriate exposure to those asset classes. The investment approach is based on the assumption that the securities markets are generally efficient. The firm does not engage in stock picking, believing that a well-diversified portfolio will outperform an actively managed portfolio over most full market cycles. Our firm does not engage in market timing, maintaining client allocations during all market cycles.

Our firm selects investments based on its investment philosophy, which is grounded in investment research. Our firm believes the markets are generally efficient and that stock picking and market timing cause dramatic underperformance for most managers. Our firm believes traditional index funds have significant benefits that include discipline, low turnover, reduced costs, diversification, and lack of subjectivity, all of which have been shown to add significantly to investment returns. However, typical index funds also have drawbacks, including higher costs in certain asset classes, and a rigid necessity to follow a brand-name index that can lead to less than optimal trade executions.

The funds that we use (ETFs and mutual funds) are not considered index funds (with the exception of an ETF offered by Vanguard that invests in a type of bond known as mortgage-backed securities, which is 15% of our bond allocation). The reason for this is that the funds do not track a specific index so that they can instead pursue deviations from a benchmark index as well as avoid the shortcomings of indexing. Each fund can vary significantly from its respective benchmark index due for example to style orientations (such as 'small-cap' and 'value' company orientations mentioned earlier). However, the funds we use select and allocate to securities in a rules-based manner (such as stocks of companies with market capitalizations within a specific range get one allocation, while those in the next range up get a different allocation, etc.). As a result, the funds we use do not select securities based on an analysis of the circumstances or fundamentals of the underlying companies, nor an analysis of market and economic conditions, nor a determination of the optimal timing or the optimal stock valuation at which to buy or sell.

The mutual funds that we primarily use, offered by DFA, are institutional-class funds, meaning that they are only available to investors who are clients of advisors who have been approved by DFA. The primary ETFs that we use (offered by Avantis Investors) are available to retail investors, and are categorized by the SEC as “active, transparent” ETFs. “Active” in this context means that the funds are not index funds (as addressed already in the previous paragraph); it does not mean, however, that the funds select securities based on an analysis of the circumstances of the underlying companies, etc. (as addressed already in the previous paragraph). “Transparent” in this context means that the funds publish their holdings on a daily basis to the market.

## **Risk of Loss**

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Investing in securities involves risk of loss that clients should be prepared to bear. While the stock or bond market may increase and the account(s) could enjoy a gain, it is also possible that the stock or bond market may decrease, and the account(s) could suffer a loss. The style orientation discussed previously that emphasizes ‘small cap’ companies, ‘value’ companies, and high-profitability’ companies, contains additional risks including extended periods of underperformance relative to the overall stock market, greater volatility, less liquidity, and wider bid-ask spreads. It is important that clients understand the risks associated with investing in the stock and bond markets, and that their assets are appropriately diversified in investments. Clients are encouraged to ask our firm any questions regarding their risk tolerance.

**Capital Risk:** Capital risk is one of the most basic, fundamental risks of investing; it is the risk that you may lose 100% of your money. All investments carry some form of risk, and the loss of capital is generally a risk for any investment instrument.

**Economic Risk:** The prevailing economic environment is important to the health of all businesses. Some companies, however, are more sensitive to changes in the domestic or global economy than others. These types of companies are often referred to as cyclical businesses. Countries in which a large portion of businesses are in cyclical industries are thus also very economically sensitive and carry a higher amount of economic risk. If an investment is issued by a party located in a country that experiences wide swings from an economic standpoint or in situations where certain elements of an investment instrument are hinged on dealings in such countries, the investment instrument will generally be subject to a higher level of economic risk.

**Equity (Stock) Market Risk:** Common stocks are susceptible to general stock market fluctuations and, volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.

**ETF & Mutual Fund Risk:** When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF’s or mutual fund’s operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities, the ETF, or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund’s stated daily per share net asset value (“NAV”), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day,

although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

**Inflation Risk:** Inflation risk involves the concern that in the future, your investment or proceeds from your investment will not be worth what they are today. Throughout time, the prices of resources and end-user products generally increase and thus, the same general goods and products today will likely be more expensive in the future. The longer an investment is held, the greater the chance that the proceeds from that investment will be worth less in the future than what they are today. Said another way, a dollar tomorrow will likely get you less than what it can today.

**Interest Rate Risk:** Certain investments involve the payment of a fixed or variable rate of interest to the investment holder. Once an investor has acquired or has acquired the rights to an investment that pays a particular rate (fixed or variable) of interest, changes in overall interest rates in the market will affect the value of the interest-paying investment(s) they hold. In general, changes in prevailing interest rates in the market will have an inverse relationship to the value of existing, interest paying investments. In other words, as interest rates move up, the value of an instrument paying a particular rate (fixed or variable) of interest will go down. The reverse is generally true as well.

**Legal/Regulatory Risk:** Certain investments or the issuers of investments may be affected by changes in state or federal laws or in the prevailing regulatory framework under which the investment instrument or its issuer is regulated. Changes in the regulatory environment or tax laws can affect the performance of certain investments or issuers of those investments and thus, can have a negative impact on the overall performance of such investments.

**Fixed Income Securities Risk:** Typically, the values of fixed-income securities change inversely with prevailing interest rates. Therefore, a fundamental risk of fixed-income securities is interest rate risk, which is the risk that their value will generally decline as prevailing interest rates rise, which may cause your account value to likewise decrease, and vice versa. How specific fixed income securities may react to changes in interest rates will depend on the specific characteristics of each security. Fixed-income securities are also subject to credit risk, prepayment risk, valuation risk, and liquidity risk. Credit risk is the chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of a bond to decline.

**Liquidity Risk:** Certain assets may not be readily converted into cash or may have a very limited market in which they trade. This can create a substantial delay in the receipt of proceeds from an investment. Liquidity risk can also result in unfavorable pricing when exiting (i.e. not being able to quickly get out of

an investment before the price drops significantly) a particular investment and therefore, can have a negative impact on investment returns.

**Market Risk:** The value of your portfolio may decrease if the value of an individual company or multiple companies in the portfolio decreases or if our belief about a company's intrinsic worth is incorrect. Further, regardless of how well individual companies perform, the value of your portfolio could also decrease if there are deteriorating economic or market conditions. It is important to understand that the value of your investment may fall, sometimes sharply, in response to changes in the market, and you could lose money. Investment risks include price risk as may be observed by a drop in a security's price due to company specific events (e.g. earnings disappointment or downgrade in the rating of a bond) or general market risk (e.g. such as a "bear" market when stock values fall in general). For fixed-income securities, a period of rising interest rates could erode the value of a bond since bond values generally fall as bond yields go up. Past performance is not a guarantee of future returns.

**Strategy Risk:** There is no guarantee that the investment strategies discussed herein will work under all market conditions and each investor should evaluate his/her ability to maintain any investment he/she is considering in light of his/her own investment time horizon. Investments are subject to risk, including possible loss of principal.

**Third-Party Manager Risk:** A risk of investing with a third-party manager who has been successful in the past is that they may not be able to replicate that success in the future. In addition, as our firm does not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as our firm does not control the manager's daily business and compliance operations, our firm may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

#### **Description of Material, Significant or Unusual Risks**

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Our firm generally invests client cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, our firm tries to achieve the highest return on client cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that our firm can debit advisory fees for our services related to our Comprehensive Portfolio Management services, as applicable.

### **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to the evaluation of our advisory business or the integrity of our management.

## Item 10: Other Financial Industry Activities & Affiliations

Our firm does not have any other financial industry activities or affiliations that are material to report.

## Item 11: Code of Ethics, Participation or Interest in Client Transactions & Personal Trading

As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Our fiduciary duty is the underlying principle for our firm's Code of Ethics, which includes procedures for personal securities transaction and insider trading. Our firm requires all representatives to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment with our firm, and at least annually thereafter, all representatives of our firm will acknowledge receipt, understanding and compliance with our firm's Code of Ethics. Our firm and representatives must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. If a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

Our firm recognizes that the personal investment transactions of our representatives demands the application of a Code of Ethics with high standards and requires that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, our firm also believes that if investment goals are similar for clients and for our representatives, it is logical, and even desirable, that there be common ownership of some securities.

In order to prevent conflicts of interest, our firm has established procedures for transactions effected by our representatives for their personal accounts<sup>1</sup>. In order to monitor compliance with our personal trading policy, our firm has pre-clearance requirements and a quarterly securities transaction reporting system for all of our representatives.

Neither our firm nor a related person recommends, buys or sells for client accounts, securities in which our firm or a related person has a material financial interest without prior disclosure to the client.

Related persons of our firm are permitted to buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

Likewise, related persons of our firm buy or sell securities for themselves at or about the same time they buy or sell the same securities for client accounts. In order to minimize this conflict of interest, our related persons

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<sup>1</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request. Further, our related persons will refrain from buying or selling securities that will be bought or sold in client accounts unless done so after the client execution or concurrently as a part of a block trade.

## Item 12: Brokerage Practices

### Selecting a Brokerage Firm

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Our firm does not maintain custody of client assets. Client assets must be maintained by a qualified custodian. Our firm seeks to recommend a custodian who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. The factors considered, among others, are these:

- Timeliness of execution
- Timeliness and accuracy of trade confirmations
- Research services provided
- Ability to provide investment ideas
- Execution facilitation services provided
- Record keeping services provided
- Custody services provided
- Frequency and correction of trading errors
- Ability to access a variety of market venues
- Expertise as it relates to specific securities
- Financial condition
- Business reputation
- Quality of services

With this in consideration, our firm recommends that investment management accounts be maintained at TD Ameritrade or Charles Schwab.

### TD Ameritrade

Our firm participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a wholly owned subsidiary of The Charles Schwab Corporation. TD Ameritrade offers services to independent investment advisers which includes custody of securities, trade execution, clearance, and settlement of transactions. TD Ameritrade enables us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. TD Ameritrade does not charge client accounts separately for custodial services. Client accounts will be charged transaction fees, commissions or other fees on trades that are executed or settle into the client's custodial account. Transaction fees are negotiated with TD Ameritrade and are generally discounted from customary retail commission rates. This benefits clients because the overall fee paid is often lower than would be otherwise.

TD Ameritrade makes certain research and brokerage services available at no additional cost to our firm. Research products and services provided by TD Ameritrade may include: research reports on

recommendations or other information about particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by TD Ameritrade to our firm in the performance of our investment decision-making responsibilities. The aforementioned research and brokerage services qualify for the safe harbor exemption defined in Section 28(e) of the Securities Exchange Act of 1934.

TD Ameritrade does not make client brokerage commissions generated by client transactions available for our firm's use. The aforementioned research and brokerage services are used by our firm to manage accounts for which our firm has investment discretion. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

### **Charles Schwab**

Our firm can also recommend that clients establish brokerage accounts with Charles Schwab (Schwab), a registered broker/dealer and member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Schwab provides our firm with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Advisor Services. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research (including that in the form of advice, analyses, and reports) and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Schwab generally does not charge separately for custody services for our firm's client accounts maintained in its custody. Instead, it is generally compensated through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts. In addition, clients can incur certain charges imposed by third parties other than us in connection with investments made through your account including, but not limited to, wire fees, overnight check fees, mutual fund sales loads, 12b1 fees, and IRA or other qualified retirement plan fees. Our fees are separate and distinct from the fees and expenses charged by investment company recommended to you. A description of these fees and expenses is available in each security prospectus.

Schwab's products and services assist our firm in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), trade execution (and allocation of aggregated trade orders for multiple client accounts), research, pricing information and other market data, payment of our fees from client accounts, and assistance with back-office training, support functions, recordkeeping, and client reporting. Generally, these services are used to service all or many of our client accounts, including accounts not maintained at Schwab.

Schwab also provides other services intended to help our firm manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance, and marketing.



As part of our fiduciary duty to our clients, our firm will endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or our related persons creates a potential conflict of interest and could indirectly influence our firm's choice of TD Ameritrade or Schwab as a custodial recommendation. However, our firm examined these potential conflicts of interest when our firm chose to recommend TD Ameritrade and Schwab and have determined that the recommendation is in the best interest of our firm's clients and satisfies our fiduciary obligations, including our duty to seek best execution.

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 a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Although our firm will seek competitive rates, to the benefit of all clients, our firm may not necessarily obtain the lowest possible commission rates for specific client account transactions.

### **Soft Dollars**

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Our firm does not receive soft dollars. The safe harbor research products and services obtained by our firm will generally be used to service all our clients but not necessarily all at any one particular time.

### **Client Brokerage Commissions**

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TD Ameritrade and Schwab do not make client brokerage commissions generated by client transactions available for our firm's use. Our firm does not direct client transactions to a particular broker-dealer in return for soft dollars. Our firm does not receive brokerage for client referrals.

### **Directed Brokerage**

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In certain instances, clients may seek to limit or restrict our discretionary authority in making the determination of the brokers with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are affected. Clients may seek to limit our authority in this area by directing those transactions (or some specified percentage of transactions) be executed through specified brokers in return for portfolio evaluation or other services deemed by the client to be of value. Any such client direction must be in writing (often through our advisory agreement) and may contain a representation from the client that the arrangement is permissible under its governing laws and documents if this is relevant.

Our firm provides appropriate disclosure in writing to clients who direct trades to particular brokers, that with respect to their directed trades, they will be treated as if they have retained the investment discretion that our firm otherwise would have in selecting brokers to effect transactions and in negotiating commissions and that such direction may adversely affect our ability to obtain best price and execution. In addition, our firm will inform clients in writing that the trade orders may not be aggregated with other clients' orders and that direction of brokerage may hinder best execution.

### **Special Considerations for ERISA Clients**

A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is

permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, our firm will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

### **Client-Directed Brokerage**

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Our firm allows clients to direct brokerage outside our recommendation. Our firm may be unable to achieve the most favorable execution of client transactions. Client directed brokerage may cost clients more money. For example, in a directed brokerage account, clients may pay higher brokerage commissions because our firm may not be able to aggregate orders to reduce transaction costs, or clients may receive less favorable prices.

### **Aggregation of Purchase or Sale**

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Our firm provides investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are affected only when our firm believes that to do so will be in the best interest of the effected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, our firm attempts to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration, and consistently non-arbitrary methods of allocation.

## **Item 13: Review of Accounts or Financial Plans**

Our IARs review accounts on at least a quarterly basis for our Comprehensive Portfolio Management clients. The nature of these reviews is to learn whether client accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Our firm provides quarterly written reports to clients. Verbal reports to clients take place on at least an annual basis when our Comprehensive Portfolio Management clients are contacted.

Our investment department reviews client accounts at least weekly for rebalancing opportunities. Among the factors which trigger rebalancing are market movements, the client's life events, withdrawals or contributions by the client, etc.

Clients receiving financial planning will receive a financial planning review at least annually. Any financial planning related reports that we have available can be provided to financial planning clients upon request. Retirement Plan Consulting clients receive reviews of their retirement plans on at least an annual basis for the duration of the service.

## Item 14: Client Referrals & Other Compensation

### TD Ameritrade and Schwab

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Our firm recommends TD Ameritrade and Schwab to clients for custody and brokerage services. There is no direct link between our firm's use of these custodians and the investment advice given to clients, although we receive economic benefits through our participation that are typically not available to TD Ameritrade or Schwab retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving our firm's participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. TD Ameritrade and Schwab have also paid for business consulting and professional services received by our firm's related persons. Some of the products and services made available by TD Ameritrade and Schwab benefit our firm but do not benefit our client accounts. These products or services assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade and Schwab. Other services made available by TD Ameritrade and Schwab are intended to help us manage and further develop our business enterprise. The benefits received by our firm or our personnel do not depend on the amount of brokerage transactions directed to TD Ameritrade and Schwab. As part of our fiduciary duties to our clients, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or our related persons in and of itself creates a potential conflict of interest and could indirectly influence our firm's choice of TD Ameritrade and Schwab for custody and brokerage services.

### Referral Fees

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In accordance with Rule 206 (4)-1 of the Investment Advisers Act of 1940, our firm does not provide cash or non-cash compensation directly or indirectly to unaffiliated persons for testimonials or endorsements (which include client referrals).

## Item 15: Custody

### Deduction of Advisory Fees:

While our firm does not maintain physical custody of client assets (which are maintained by a qualified custodian, as discussed above), we are deemed to have custody of certain client assets if given the authority to withdraw assets from client accounts, as further described below under "Third Party Money Movement." All our clients receive account statements directly from their qualified custodian(s) at least quarterly upon opening of an account. We urge our clients to carefully review these statements.

Additionally, if our firm decides to send its own account statements to clients, such statements will include a legend that recommends the client compare the account statements received from the qualified custodian with those received from our firm. Clients are encouraged to raise any questions with us about the custody, safety or security of their assets and our custodial recommendations.

### **Third Party Money Movement:**

On February 21, 2017, the SEC issued a no-action letter (“Letter”) with respect to Rule 206(4)-2 (“Custody Rule”) under the Investment Advisers Act of 1940 (“Advisers Act”). The letter provided guidance on the Custody Rule as well as clarified that an adviser who has the power to disburse client funds to a third party under a standing letter of authorization (“SLOA”) is deemed to have custody. As such, our firm has adopted the following safeguards in conjunction with our custodian:

- The client provides an instruction to the qualified custodian, in writing, that includes the client’s signature, the third party’s name, and either the third party’s address or the third party’s account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, in writing, either on the qualified custodian’s form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client’s qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client’s authorization, and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client’s qualified custodian.
- The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client’s instruction.
- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
- The client’s qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

## **Item 16: Investment Discretion**

We manage accounts primarily on a discretionary basis but also on a non-discretionary basis in certain circumstances. After you sign an agreement with our firm, we’re allowed to buy and sell investments in your account without asking you in advance, except for assets that are designated as non-discretionary (which are typically assets purchased before working with Quantum that are not easily sold such as annuities). Any limitations will be described in the signed advisory agreement. For discretionary assets, we will have discretion until the advisory agreement is terminated by you or our firm. For non-discretionary assets, the client makes the ultimate decision regarding the purchase or sale of investments.

## Item 17: Voting Client Securities

Our firm does not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, our firm will forward them to the appropriate client and ask the party who sent them to mail them directly to the client in the future. Clients can call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

## Item 18: Financial Information

Our firm is not required to provide financial information in this Brochure because:

- Our firm does not require the prepayment of more than \$1,200 in fees when services cannot be rendered within 6 months.
- Our firm does not take custody of client funds or securities.
- Our firm does not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.
- Our firm has never been the subject of a bankruptcy proceeding.