

# Quantum Financial Advisors, P.A.

A Florida Registered Investment Advisor

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## Form ADV Part 2

March 31, 2022

This brochure provides clients and prospective clients with information about Quantum Financial Advisors, P.A. and the qualifications, business practices, and nature of its services that should be carefully considered before becoming an advisory client. The contents of this brochure have not been approved or verified by the Securities and Exchange Commission (“SEC”) or any other state or federal authority.

While the firm is an investment advisor registered with the State of Florida, it does not imply a certain level of skill or training on the part of the firm or its associated personnel.

Questions relative to the firm, its services, or this ADV Part 2 may be made to the attention of Mr. Pilato at (561) 350-1632. Additional information about the firm, other advisory firms, or associated investment advisor representatives is available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 - Material Changes**

The firm has amended its Form ADV Part 2 brochure from the previous version dated April 27, 2020 to report the firm's assets under management as of December 31, 2021 (see Item 4). For future filings this section of the brochure may address only those material changes that have occurred since the firm's last annual update.

The firm may at any time update this document and either send a copy of its updated brochure or provide a summary of material changes to its brochure and an offer to send an electronic or hard copy form of the updated brochure. Clients are also able to download this brochure from the SEC's Website: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or may contact our firm at (561) 350-1632 to request a copy at any time.

As with all firm documents, clients and prospective clients are encouraged to review this brochure in its entirety and are encouraged to ask questions at any time prior to or throughout the engagement.

## **Important Information**

Throughout this document, Quantum Financial Advisors, LLC shall also be referred to as the "firm," "our," "we" or "us." These terms are utilized for the reader's ease of use while reviewing the brochure and are not meant to imply the firm is larger than it actually may be at the time of publication. The client or prospective client may also be referred to as "you," "your," etc., and refers to a client engagement involving a single *person* as well as two or more *persons*. The term "advisor" and "adviser" are used interchangeably where accuracy in identification is necessary (Internet address, etc.).

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***This brochure contains 19 pages and is incomplete without all pages.***

#### **Item 4 - Advisory Business**

Quantum Financial Advisors, P.A. (or “the firm”) is a Florida-domiciled registered investment advisor that provides fee-only financial planning, investment consultation, and investment supervisory services. In addition to the firm’s registration as an investment advisor in Florida since 2001, the firm and its associates may register or meet certain exemptions to registration in other states in which it conducts business. Mr. Michael Pilato (noted in Item 19) is the majority shareholder and supervisory principal of the firm.

The firm holds itself to a *fiduciary standard*, which means Quantum Financial Advisors, P.A. and its associates will act in the utmost good faith and performing in a manner believed to be in the best interest of its clients.

An estimated 5% of the firm’s advisory services activities involve providing ongoing and continuous account supervision for client portfolios under a non-discretionary engagement agreement. An estimated 10% of the firm’s time is dedicated to providing investment consultation services that do not involve investment supervisory services. The remaining 85% of the firm’s advisory services effort is oriented toward “non-securities advice,” such as expense budgeting and savings, education, insurance, charitable, estate and tax planning, among others.

#### **Client Assets under Management**

As of December 31, 2021, the firm had approximately \$11.2 million of client assets under its management, all subject to non-discretionary account agreements.

#### **Introductory Review**

A complimentary interview is conducted by a qualified representative of the firm to determine the scope of services to be provided. Prior to entering a written agreement, the firm’s ADV Part 2 brochure, Privacy Policy and a financial advisor interview questionnaire will be given to the client. Once an engagement agreement is in place, further discussion and analysis is conducted to obtain information from the client on financial need, goals, holdings, etc.

Financial advice and/or plans are based upon the information disclosed by the client or their legal agent, and incorporate the client's financial situation at the time the plan is presented. In performing its services the firm may, but is not required to, verify any information received from the client or from the client's agents.

#### **Financial Planning and Investment Consultation Services**

The firm provides financial planning services which may be either broad-based or more narrowly focused depending on the client’s needs and wishes. Advice is offered on subjects including cash flow and debt management, risk management, college funding, retirement and estate planning, tax planning strategies, and other specific guidance as indicated by the client. Such services typically involve providing a range of advice to clients regarding the management of their financial resources, as based upon the analysis of their individual needs.

When financial planning services focus only on certain areas of client interest, the client must understand that their overall financial situation may not be fully addressed due to limitations they have established.

Investment consultation may involve educating the client in the types of investment vehicles available; various investment strategies, developing a personal investment policy statement (*see “Investment Supervisory Services”*), asset selection, assisting with current or proposed portfolio allocations, as well as assisting the client in establishing their own investment account at their selected broker/dealer or custodian.

Engagements involving financial planning or investment consultation services generally conclude upon delivery of advice or the plan. The client is encouraged, however, to engage the firm in the future. Future periodic reviews are recommended, and it is the client's responsibility to initiate these meetings. Engagements involving financial planning and/or investment consultation services do not exceed one calendar year from the date of the agreement's execution.

### Investment Supervisory Services

If engaged for investment supervisory services, Quantum Financial Advisors, P.A. will design a customized portfolio deemed appropriate for the client's objectives and tolerance for risk. Whenever practical, the firm will assist the client in preparing an investment policy statement (IPS), or similar document, reflecting the client's investment objectives, time horizon, risk tolerance, as well as policy or investment constraints. The IPS will be designed to be specific enough to provide ongoing guidance while concurrently allowing flexibility to respond to changing market conditions. Since the IPS will to a large extent be a product of information and data provided by the client, the client shall be responsible for review and final approval of the statement.

Each portfolio is customized based on the needs of the client. The firm generally employs Modern Portfolio Theory as part of its investment strategy which is described in further detail in Item 8 of this brochure. Existing positions within a client account containing various holdings will be evaluated and maintained when deemed appropriate. The firm will provide regular and continuous monitoring of the client's account under this type of engagement, which may include rebalancing portfolios to maintain an optimal allocation while minimizing tax exposures and transactional costs.

### Income Tax Preparation and Other Accounting Services

If the firm is engaged for broad-based financial planning services, it may offer the preparation of income tax returns or other accounting services at the client's request. Combining income tax return preparation with financial planning may assist clients with a thorough, coordinated understanding of their finances. Tax return preparation and other accounting services advice is performed by qualified firm personnel through a department of Quantum Financial Advisors, P.A. as further described in Items 5 and 10 of this brochure.

### Firm Services

The firm does not sponsor or serve as portfolio manager for a wrap fee investment program, nor does it provide advice involving legal matters or property and casualty insurance. With the client's consent, the firm may work with the client's other professional advisors (attorney, etc.) to assist with coordination and implementation of agreed upon strategies. The client should be aware that these other professional advisors may bill the client separately for their services, and these fees will be in addition to those of Quantum Financial Advisors, P.A.

The client retains absolute discretion over all implementation decisions and is free to accept or reject any recommendation made by the firm. Further, it remains each client's responsibility to promptly notify the firm if there is any change in their financial situation or investment objectives for the purpose of evaluating or revising the firm's previous recommendations.

The firm will use its best judgment and good faith effort in rendering its services to its clients. Quantum Financial Advisors, P.A. cannot warrant or guarantee any particular level of account performance, or that an account will be profitable over time. Past performance is not necessarily indicative of future results.

Except as may otherwise be provided by law, the firm will not be liable to the client, heirs, or assigns for any loss an account may suffer by reason of an investment decision made or other action taken or omitted in good faith by the firm with that degree of care, skill, prudence and diligence under the circumstances that a prudent person acting in a fiduciary capacity would use; any loss arising from the firm's adherence to the client or their legal agent's direction; or any act or failure to act by a service provider maintaining an account.

Federal and state securities laws impose liabilities under certain circumstances on persons who act in good faith and, therefore, nothing contained in this document shall constitute a waiver of any rights that a client may have under federal and state securities laws.

## **Item 5 - Fees and Compensation**

### **Advisory Services Fees**

The firm's services are only offered on an hourly basis of \$200 per hour.<sup>1</sup> Clients will be billed in six-minute increments, and a partial increment will be billed as a whole. The number of hours to complete the plan will be estimated and will depend on the level and scope of services required.

Services provided under the engagement arrangement and the anticipated fee range will be detailed in the written engagement agreement. Fees for these services are negotiable at the discretion of the firm principal.

For new clients, Quantum Financial Advisors, P.A. may require a retainer of one-half the uppermost estimated engagement fee or \$500, whichever is less, in order to initiate the project. Any engagement fees or project balances are due and payable upon delivery of the plan or advice.

*Further information about our fees in relationship to our operational practices is noted in Item 12 of this document.*

### **Income Tax Preparation and Other Accounting Services**

A separate fee for income tax return preparation and other accounting services will be quoted for work to be performed by a qualified member of the accounting services department of Quantum Financial Advisors, P.A. and is not included in this brochure.

### **Additional Fees/No-Load Products**

Specific product recommendations made by the firm will usually be for "no-load" (i.e., no commission) products, if available. In some cases, such as with certain insurance products, there may not be a suitable selection of no-load products available for recommendation; neither the firm nor its associates, however, will be paid a commission on the purchase.

Any transactional or custodial fees assessed by the client's broker/dealer or custodian, including individual retirement account or qualified retirement plan account termination fees, are borne by the client. These fees will be disclosed in the current, separate fee schedule of the selected provider.

Fees paid to Quantum Financial Advisors, P.A. by the client for its services are separate and distinct from any charges the client may pay for mutual funds, exchange-traded funds (ETFs), exchange-traded notes (ETNs), or other similar investments; the firm does not receive "trailer" or 12b-1 fees from any investment company recommended. Fees charged by any of these companies are detailed in prospectuses or product descriptions and clients are encouraged to read and consider these documents carefully before investing.

### **Termination of Services**

Either party may terminate the agreement at any time; such termination will typically be in writing.

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<sup>1</sup>The firm reserves the right (but is not obligated) to assess a lower fee to those clients who had engaged the firm prior to February 1, 2013, in addition to associates' and related persons' accounts.

Should the client verbally notify Quantum Financial Advisors, P.A. of the termination and, if in two business days following this verbal notification the firm has not received written notice from the client; the firm will make written notice of such termination in its records and will send its own termination notice to the client as a substitute. The firm is not responsible for future allocation recommendations or advice upon termination notice.

The client may terminate an agreement with the firm within five business days after the signing of the services agreement without penalty or charge. Thereafter, any prepaid, unearned fees will be promptly returned following receipt of termination notice.

#### **Item 6 - Performance-Based Fees and Side-By-Side Management**

The firm does not charge asset-based fees. Further, no fees assessed by the firm will be based upon a share of capital gains or capital appreciation of the funds or any portion of funds of an advisory contract, also known as performance-based fees. Quantum Financial Advisors, P.A. also prohibits any affiliated entity or employee to engage in or benefit from side-by-side investment management arrangements, often reflective of managing a hedge fund or other similarly pooled fund.

#### **Item 7 - Types of Clients**

The firm provides its services to individual investors, trusts, estates, and charitable organizations, and businesses of various scales. Quantum Financial Advisors, P.A. does not require minimum income levels, dollar value of assets, or other similar conditions for any of its engagements.

Clients are expected to provide an adequate level of information and supporting documentation to the firm throughout the engagement. This allows the firm to determine the appropriateness of its financial planning or a recommended investment strategy for the client or account, the client's source of funds and/or income levels, the client's or legal agent's authority to act on behalf of the account, among other matters.

The firm reserves the right to waive or reduce certain of its fees based on unique individual circumstances, special arrangements, pre-existing relationships or as otherwise may be determined by a firm principal. The firm also reserves the right to decline services to any prospective client for any reason.

#### **Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss**

##### **Method of Analysis**

If the firm is engaged to provide investment consultation, the client's current financial situation, needs, goals, objectives and tolerance for risk are initially evaluated. Asset allocation and investment policy decisions are made and discussed with the client to, in the firm's best judgment, meet the client's objectives while minimizing risk exposure.

The firm employs fundamental analyses using data to evaluate a security's intrinsic value. For example, fundamental analysis of a bond's value could involve evaluating economic factors including interest rates, the current state of the economy, and information about the bond issuer's credit ratings. Fundamental analysis of a stock takes into account revenues, earnings, future growth, return on equity, profit margins and other data to evaluate a company's value and its potential for future growth.

Research may be drawn from sources including: financial publications; investment analysis and reporting software, inspections of corporate activities, research materials from outside sources, corporate rating services, annual reports, prospectuses and other regulatory filings, and company press releases. The firm may also use outside consultants to provide expertise in certain circumstances.

## Investment Strategies

The firm employs long-term, buy-and-hold investment strategies that incorporate the principles of Modern Portfolio Theory. Quantum Financial Advisors, P.A. investment approach is firmly rooted in the belief that markets are "efficient," and investors' returns are determined principally by asset allocation decisions, not market timing or stock pricing. The firm develops diversified portfolios, principally, through the use of passively managed, asset class mutual funds. Cost-efficient ETFs/ETNs may also be recommended. Existing positions within a client account will be evaluated and may be recommended to remain when deemed appropriate.

When the firm is engaged for investment supervisory services through its selected custodian, clients are able to access institutional-class mutual funds and ETFs available only through a network of carefully selected investment advisors.

The result of this process is a portfolio allocation that potentially produces the highest possible return for a given level of risk.

The firm will rebalance a portfolio in an attempt to maintain an optimal allocation while minimizing tax exposures, trading costs, etc. In limited circumstances and upon request, the firm will offer advice on shorter-term investment strategies, such as for a portfolio "tactical overlay."

## Risk of Loss

While Quantum Financial Advisors, P.A. believes its strategies and investment recommendations are designed to potentially produce the highest possible return for a given level of risk, it cannot warrant or guarantee that an investment objective or planning goal will be achieved.

Some investment decisions made by the firm and/or client may result in loss, which may include the original principal invested. The client must be able to bear the various risks involved in the investment of account assets, which may include market, currency, interest rate, and liquidity, operational or political risk, among others.

When the firm's research and analyses is based upon commercially available software, rating services, general market and financial information, or due diligence reviews, the firm is relying upon the accuracy and validity of the information or capabilities being provided by selected vendors, rating services, market data, and the issuers themselves. Quantum Financial Advisors, P.A. makes every effort to determine the accuracy of the information received but it cannot foretell events or actions taken or not taken, or the validity of all information it has researched or provided which may or may not affect the advice given to or investment strategy of a client account or financial plan.

When employing passive, efficient markets theory (such as that associated with Modern Portfolio Theory), an investor should consider the potential risk that their broader allocation may generate lower-than-expected returns than that from a specific asset, and that the risk on each type of asset is a deviation from the average return from the asset class. The firm believes this variance from the "expected return" is generally low under normal market conditions if the portfolio is made up of diverse, low or non-correlated assets.

Further, while many ETFs/ETNs are known for their potential tax-efficiency and higher "qualified dividend income" (QDI) percentages, there are certain asset classes or holding periods within an ETF/ ETN that may not benefit. Shorter holding periods and certain commodities and currencies may be considered non-qualified and the holding's QDI will be considered if tax efficiency is an important aspect of the portfolio.

Those clients that request the employment of more frequent trading strategies may experience additional transactional costs or create taxable events that will be borne by the client, thereby potentially reducing or negating any benefit derived by shorter term investing.



## **Item 9 - Disciplinary Information**

Neither the firm nor any member of its management has been involved in a material criminal or civil action in a domestic, foreign or military jurisdiction, an administrative enforcement action, or self-regulatory organization proceeding that would reflect poorly upon our firm's advisory business or the integrity of our firm.

## **Item 10 - Other Financial Industry Activities and Affiliations**

The firm's policies require it and its personnel to conduct business activities in a manner that avoid actual or potential conflicts of interest between the firm, employees and clients, or that may otherwise be contrary to law.

The firm will provide disclosure to its client prior to and throughout the term of an engagement of any conflicts of interest which will or may reasonably compromise its impartiality or independence.

Neither our firm nor a member of its management is, or has a material relationship with any of the following types of entities:

- broker/dealer, municipal securities dealer, or government securities dealer or broker;
- futures commission merchant, commodity pool operator, or commodity trading advisor;
- banking or thrift institution;
- lawyer or law firm;\*
- insurance company or agency;\*
- pension consultant;
- real estate broker or dealer;
- sponsor or syndicator of limited partnerships; or
- investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund).

\*Upon your request and when appropriate to do so, we may provide referrals to various professionals in your area, such as an accountant or attorney. We do not have an agreement with or receive fees from these professionals for these informal referrals. Any fees charged by these other entities for their services are completely separate from advisory fees charged by our advisory firm.

The firm does offer accounting and tax preparation services through a division of Quantum Financial Advisors, P.A., and only by appropriately qualified personnel of the firm.

Should we ever provide you with a recommendation to an unaffiliated registered investment advisor to manage your portfolio, we will first ensure we have conducted what we believe is an appropriate level of due diligence on the recommended third-party investment advisor, to include ensuring their firm is appropriately registered or notice-filed within your jurisdiction. Please note that we are not paid for this referral nor do we share in any fees these firms may receive in managing your investment account.

Investment advisor representatives of the firm may hold individual membership or serve on boards or committees of professional industry associations or organizations, such as the American Institute of Certified Public Accountants (AICPA), AICPA Personal Financial Specialist (PFS) Division, or the Certified Financial Planner Board of Standards, Inc. Generally, participation in any of these entities require membership fees to be paid, adherence to ethical guidelines, as well as in meeting experiential and ongoing educational requirements.

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

### **Code of Ethics**

The firm has adopted a Code of Ethics that sets forth the policies of ethical conduct for all personnel and accepts the obligation not only to comply with the mandates and requirements of all applicable laws and regulations but also to take responsibility to act in an ethical and professionally responsible manner in all professional services and activities. The firm's policies include the prohibition against insider trading, circulation of industry rumor, certain political contributions, among others.

CERTIFIED FINANCIAL PLANNER™ Professionals, such as Mr. Pilato, adhere to the Certified Financial Planner Board of Standards, Inc. principles, which state:

#### ***Principle 1 – Integrity***

An advisor will provide professional services with integrity. Integrity demands honesty and candor which must not be subordinated to personal gain and advantage. Advisors are placed by clients in positions of trust, and the ultimate source of that trust is the advisor's personal integrity. Allowance can be made for innocent error and legitimate differences of opinion; but integrity cannot co-exist with deceit or subordination of one's principles.

#### ***Principle 2 – Objectivity***

An advisor will provide professional services objectively. Objectivity requires intellectual honesty and impartiality. Regardless of the particular service rendered or the capacity in which an advisor functions, an advisor should protect the integrity of their work, maintain objectivity and avoid subordination of their judgment.

#### ***Principle 3 – Competence***

Advisors will maintain the necessary knowledge and skills to provide professional services competently. Competence means attaining and maintaining an adequate level of knowledge and skill, and applies that knowledge effectively in providing services to clients. Competence also includes the wisdom to recognize the limitations of that knowledge and when consultation with other professionals is appropriate or referral to other professionals necessary. Advisors make a continuing commitment to learning and professional improvement.

#### ***Principle 4 – Fairness***

Advisors will be fair and reasonable in all professional relationships. Fairness requires impartiality, intellectual honesty and disclosure of material conflict(s) of interest. It involves a subordination of one's own feelings, prejudices and desires so as to achieve a proper balance of conflicting interests. Fairness is treating others in the same fashion that you would want to be treated and is an essential trait of any professional.

#### ***Principle 5 – Confidentiality***

Advisors will protect the confidentiality of all client information. Confidentiality means ensuring that information is accessible only to those authorized to have access. A relationship of trust and confidence with the client can only be built upon the understanding that the client's information will remain confidential.

#### ***Principle 6 – Professionalism***

Advisors will act in a manner that demonstrates exemplary professional conduct. Professionalism requires behaving with dignity and courtesy to all who use their services, fellow professionals, and those in related professions. Advisors cooperate with fellow advisors to enhance and maintain the profession's public image and improve the quality of services.

## ***Principle 7 – Diligence***

Advisors will provide professional services diligently. Diligence is the provision of services in a reasonably prompt and thorough manner, including the proper planning for, and supervision of, the rendering of professional services.

We periodically review and amend our Code of Ethics to ensure that it remains current, and we require all firm access persons to attest to their understanding of and adherence to the Code of Ethics at least annually. Our firm will provide a copy of its Code of Ethics to any client or prospective client upon request.

### **Privacy Policy**

A copy of the firm's privacy policy notice will be provided to each client prior to, or contemporaneously with, the execution of an engagement agreement. The firm will notify its clients annually of its privacy policy and at any time, in advance, if its privacy policy is expected to change.

To ensure security and confidentiality, the firm maintains physical, electronic, and procedural safeguards to protect the privacy of its clients. Identifiable information about the client or prospective client will be maintained during the span of the engagement and for the period thereafter as required by both securities industry and state privacy laws. After that time, information will be destroyed under the firm's records destruction guidelines.

### **Participation or Interest in Client Transactions**

Neither Quantum Financial Advisors, P.A. nor any related person are authorized to recommend to a client, or effect a transaction for a client, involving any security in which the firm or a related person has a material financial interest, such as in the capacity as an underwriter, advisor to the issuer, etc.

Additionally, employees are prohibited from borrowing from or lending to a client unless the client is an approved financial institution.

### **Personal Trading**

The firm and its related persons may buy or sell securities similar to those recommended to clients for their accounts, and it may also make recommendations or take action with respect to investments for its clients that may differ in nature or timing from recommendations made to or actions taken for other clients or its employees. At no time, however, will Quantum Financial Advisors, P.A. or any related party receive preferential treatment over its clients.

In an effort to reduce or eliminate certain conflicts of interest involving personal trading, firm policy may require the periodic utilization of published lists that restrict or prohibit transactions in specific reportable securities transactions. Any exceptions or trading pre-clearance must be approved by the firm principal in advance of the transaction in any related person's account. The firm maintains the required personal securities transaction records per regulation.

## **Item 12 - Brokerage Practices**

### **Factors Used to Select Broker-Dealers for Client Transactions**

Quantum Financial Advisors, P.A. is not affiliated with nor maintains an ongoing agreement with a bank, custodian, or broker/dealer firm ("service providers").

When engaged to provide investment consultation services, the firm may recommend the service provider with whom your assets are currently maintained. Should you prefer a new service provider, the firm's recommendation of another service provider would be based on client's need, overall cost, and ease of use.

If a client has engaged the firm to provide investment supervisory services, it will generally recommend clients use the institutional services divisions of Shareholders Services Group, Inc. ("SSG"), who ultimately conducts transactions and asset custody through Pershing, LLC – a BNY Mellon Company ("Pershing"), both of whom are FINRA and SIPC members,<sup>2</sup> and are independent SEC-registered broker/dealers. As stated earlier, our firm is independently owned and operated and is not legally affiliated with SSG or Pershing, or any other recommended firm. Advisor is not affiliated with the brokerage firm. Broker does not supervise the advisor, its agents or activities.

While Quantum Financial Advisors, P.A. recommends a client uses SSG as their service provider, the client will decide whether to do so and will open their account with SSG by entering into an account agreement directly with SSG. If the client does not wish to place their assets with SSG or Pershing, LLC through SSG, then our firm may potentially not be able to manage their account under its investment supervisory services engagement.

SSG offers independent investment advisors various services which include custody of securities, trade execution, clearance and settlement of transactions. Our firm may receive certain benefits from SSG through participation in their program (please see Item 14).

Our firm periodically conducts an assessment of any service provider recommended which generally involves a review of their range of services, reasonableness of fees, among other items, and in comparison to their industry peers.

#### Best Execution

Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed in the earlier paragraph. The firm recognizes its obligation in seeking "best execution" for clients, however, it is believed the determinative factor is not always the lowest possible cost but whether the selected service provider's transactions represent the best "qualitative" execution while taking into consideration the full range of services provided. Therefore, our firm will seek services involving competitive rates but this may not necessarily correlate into the lowest possible rate for each transaction.

Our firm has determined that having trades executed through SSG/Pershing is consistent with its duty to seek "best execution" of client trades. The firm also periodically reviews policies regarding recommending service providers to clients in light of its duty to seek "best execution."

#### Directed Brokerage

The firm does not require or engage in directed brokerage involving client accounts.

A client may direct our firm (in writing) to use another particular broker/dealer to execute some or all transactions for their account. In these circumstances, the client will be responsible for negotiating, in advance, the terms and/or arrangements for their account with their selected broker/dealer. Our firm will be limited in its ability to execute trades on the client's behalf and the client may be required to do these on their own.

The firm will not be obligated to seek better execution services or prices from these other broker/dealers, or be able to aggregate client transactions, should it choose to do so, for execution through other custodians with orders for other accounts managed by our firm.

As a result, a client may pay higher commissions or other transaction costs, experience greater spreads, or receive less favorable net prices, on their transactions than would otherwise be the case. Further, pursuant to our firm's obligation

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<sup>2</sup> Quantum Financial Advisors, P.A. is not, nor required to be, a Financial Industry Regulatory Authority (FINRA) or Securities Investor Protection Corporation (SIPC) member. Clients may learn more about the SIPC and how it serves member firms and the investing public by going to their website at <http://www.sipc.org>.

of best execution, we may decline a request to direct brokerage if it is believed any client directed brokerage arrangement would result in additional operational difficulties or risk to our firm.

### Aggregating Securities Transactions

Quantum Financial Advisors, P.A. serves client accounts through a non-discretionary account agreement, therefore, transactions for each of client will generally be effected independently. Should the firm decide to purchase or sell the same securities for several clients at approximately the same time, often termed “aggregated” or “batched” orders, it will inform clients in advance. The firm does not receive any additional compensation or remuneration as a result of aggregated transactions.

The firm may, but is not obligated to, aggregate orders in an attempt to obtain better execution, negotiate favorable transaction rates, or to allocate equitably among client accounts should there be differences in prices and commissions or other transaction costs that might have been obtained had such orders been separately placed.

Commission prices may vary due to account size and/or confirmation receipt method. To the extent that the firm determines to aggregate client orders for the purchase or sale of securities, including securities in which the firm or related party may invest, the firm will generally do so in accordance with the parameters set forth in SEC No-Action Letter, *SMC Capital, Inc.*

Client accounts where trade aggregation is not allowed or infeasible may potentially be assessed higher transaction costs than those that are batched.

Quantum Financial Advisors, P.A. reviews trade aggregation procedures and post-trade allocation processes on a periodic basis to ensure they remain within stated policies and regulation. The firm will inform its clients, in advance, should trade aggregation and allocation practices change.

### Trade Errors

The firm corrects all trade errors through a Trade Error Account maintained by the firm’s custodian and the firm will be responsible for any losses in said accounts. Likewise, the firm may also receive any gains resulting from the correction of any trade errors and, therefore, may potentially receive a benefit from this arrangement.

## **Item 13 - Review of Accounts**

### ***Reviews***

Periodic financial check-ups or portfolio reviews are recommended for incidental financial planning and investment consultation clients, and it is the client's responsibility to initiate these reviews.

Investment supervisory services accounts are periodically reviewed throughout the year by the assigned investment advisor representative as well as firm supervisory personnel. Additional reviews may be triggered by news or research related to a specific holding, a change in the firm's view of the investment merits of a holding, or news related to the macroeconomic climate affecting a sector or holding within that sector.

Accounts may also be reviewed when being considered for an additional holding or an increase in a current position. Account cash levels above that deemed appropriate for the investment environment, given the client's stated tolerance for risk and investment objectives, may also trigger a review.

## **Reports**

If a client has opened and maintained an investment account on their own or with our firm's assistance, the client will receive account statements sent directly from mutual fund companies, transfer agents, custodians or brokerage companies where investments are held. Quantum Financial Advisors, P.A. urges clients to carefully review these statements for accuracy and clarity, and to ask questions when something is not clear.

Our firm may provide account reports if it is engaged to provide periodic asset allocation or investment advice. The firm does not provide ongoing performance reporting under a financial planning engagement.

For investment supervisory services accounts, our firm may provide quarterly reports or position performance summary reports, and annual realized gains/loss reports for taxable accounts. Clients may also receive additional reports depending on their specific requirements.

All firm performance reports (if provided) will be prepared in accordance with appropriate jurisdictional guidance. Clients are urged to carefully review and compare account statements that they have received directly from their service provider with any report received from our firm.

## **Item 14 - Client Referrals and Other Compensation**

### ***Economic Benefit from External Sources and Potential Conflicts of Interest***

Quantum Financial Advisors, P.A. may receive an economic benefit from external sources in the form of the support products and services made available to our firm and other independent investment advisors. As disclosed under Item 12, our firm participates in SSG/Pershing's institutional customer program and the firm may recommend SSG and its arrangement with Pershing to clients for custody and brokerage services.

There is no direct link between the firm's participation in the program and the investment advice given to clients, although the firm receives economic benefits through its participation in the program that are typically not available to "retail investors." These benefits include the following products and services (provided either 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 clients;
- access to block trading (which provides the firm's 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's accounts per written agreement;
- access to an electronic communications network for client order entry and account information;
- access to mutual funds with no "loads" or transaction fees, and to certain institutional money managers; and
- discounts on compliance, marketing, research, technology, and practice management products or services provided to our firm by third party vendors.

SSG may also pay for business consulting and professional services received by the firm. Some of the products and services made available by SSG may benefit our firm but may not benefit client accounts. These products or services may assist Quantum Financial Advisors, P.A. in managing and administering client accounts, including accounts not maintained at SSG. These other services made available by SSG are intended to help our firm manage and further develop our business enterprise. The benefits received by the firm or its associates through participation in a program do not depend on the amount of brokerage transactions directed to SSG/Pershing.

As part of our fiduciary duty, Quantum Financial Advisors, P.A. will endeavor at all times to put the interests of our clients first. Our clients should be aware, however, that the receipt of any economic benefit by the firm or its associates in and of itself creates a potential conflict of interest and may influence the firm's choice of SSG/Pershing for custody and brokerage services.

### ***Advisory Firm Payments for Client Referrals***

Quantum Financial Advisors, P.A. does not engage in solicitation activities as defined by Rule 206(4)-3 of the Investment Advisers Act of 1940 (as amended), or similar state statute, nor does it pay a direct or indirect fee for referrals.

As stated earlier, the firm and its associated personnel may be members of various professional associations. A benefit these entities may provide to the investing public is the availability of an electronic map or listing on their website that allows interested parties (prospective clients) to search for participant firms (such as Quantum Financial Advisors, P.A.) or individual financial planners within a selected state or region.

The map or list may note advisory firm or individual financial planner contact information, and these passive websites may also provide means for interested persons to contact a firm or planner via electronic mail or telephone number so that the interested person may interview the participant firm or planner. Members of the public may also choose to telephone association staff to inquire about a firm or individual planner within their area, and would receive the same or similar information.

Prospective clients locating Quantum Financial Advisors, P.A. or an individual associate via a noted venue are not actively marketed, nor do clients or prospective clients pay more for their services than another client who may be referred to us in another fashion, such as a personal referral. Further, the firm does not pay these entities for prospective client referrals nor is there a fee-sharing arrangement reflective of a solicitor engagement.<sup>3</sup>

### **Item 15 - Custody**

Client funds and securities will be maintained by unaffiliated, qualified custodians such as banks, broker/dealers, mutual fund companies, or transfer agents, and not with or by Quantum Financial Advisors, P.A. or any of its associates. Advisor is not affiliated with the custodian. The custodian does not supervise the advisor, its agents or activities.

Firm policies restrict the firm and its associated persons from acting as trustee for or having full power of attorney over a client account.

Firm fees are not to be collected for its services to be performed more than six months in advance *and* in excess of \$500.

At no time will a firm employee be authorized to have knowledge of a client's account access information (i.e., online 401(k), personal brokerage, or bank accounts), even for the "accommodation" of the client or their legal agent when such access might result in physical control over client assets.

Clients will be provided with transaction confirmations and summary account statements sent to them directly from their selected service provider. Typically, these statements are provided on a monthly or quarterly basis, or as transactions occur.

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<sup>3</sup>The firm believes this arrangement is in consonance with SEC No-Action Letter No. 1251421 in its response to the National Football League Players Association.

Clients may receive periodic reports or “snapshots” from Quantum Financial Advisors, P.A. summarizing their account performance and they are urged to compare their account statements received from their service provider with any report they receive from the firm.

### **Item 16 - Investment Discretion**

The firm provides investment supervisory services to its clients via a non-discretionary account agreement. Therefore, before the firm is able to implement an investment decision on behalf of an account, such as a purchase or sale of a security, the client must grant the firm the authority to do so.

Investment supervisory services clients must make themselves available and keep the firm apprised of their current contact information so that transaction instructions can be efficiently effected on their behalf.

By definition and absent client written instruction to the contrary, non-discretionary account transactions do not involve those with respect to a trade execution's price or time.

All account restrictions, limitations, and rescissions will be made in writing by the client and approved in writing by a firm principal. A record will be made and retained per regulation for each of these actions.

### **Item 17 - Voting Client Securities**

#### **Proxy Voting**

The firm does not vote client proxies nor does it offer guidance on how to vote proxies. Clients maintain exclusive responsibility for directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted as well as making all other elections relative to mergers, acquisitions, tender offers or other events pertaining to the client's investment assets.

#### **Other Corporate Actions**

The firm will have no power, authority, responsibility, or obligation to take any action with regard to any claim or potential claim in any bankruptcy proceeding, class action securities litigation or other litigation or proceeding relating to securities held at any time in a client account, including, without limitation, to file proofs of claim or other documents related to such proceeding, or to investigate, initiate, supervise or monitor class action or other litigation involving client assets.

#### **Firm's Receipt of Materials**

If the firm receives correspondence for a client relating to the voting of their securities, class action litigation, or other corporate actions, it will typically forward the correspondence to the client or another entity (i.e., client counsel, etc.) if so directed.

### **Item 18 - Financial Information**

#### **Balance Sheet**

With the exception of having the ability to withdraw advisory fees through the services of a qualified, unaffiliated custodian and per a client's prior written authorization, the firm will not have custody of client assets (as described in Item 15). This includes the firm's policy of not collecting fees from of \$500 or more for services to be performed six months or more in advance.

Due to the nature of the firm's services and operational practices, an audited balance sheet is not required nor included in this brochure.



### Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients

The firm and its management do not have a financial condition likely to impair its ability to meet commitments to clients.

### Bankruptcy Petitions during the Past 10 Years

The firm and its management have not been the subject of a bankruptcy petition at any time during the past 10 years.

### Item 19 - Requirements for State-Registered Advisers

#### Principal Executive Officer and Management Person

*President/Majority Shareholder/Firm Principal/Financial Planner/Investment Advisor Representative*

**Michael John Pilato**, CFP®, CPA

#### Educational Background and Business Experience

##### ***Educational Background***

Pace University; MBA - Taxation

Fairfield University; BS - Accounting

CERTIFIED FINANCIAL PLANNER™ Professional, CFP®<sup>5</sup>

Certified Public Accountant (CPA)<sup>6</sup>

##### ***Business Experience***

President/Financial Planner – Quantum Financial Advisors, P.A. [2000-Present]

Tax Manager - Roderick C. Moe, CPA, P.A. (Accounting Firm) 2014-2016]

President/Accountant – Michael J. Pilato, CPA (Accounting Firm) [1998-2010]

#### Disciplinary Information

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item. There are no criminal or civil actions, administrative enforcement proceedings, self regulatory organization enforcement proceedings or any other proceedings applicable to the firm or Mr. Pilato.

#### Other Business Activities

Mr. Pilato is a licensed Certified Public Accountant and spends part of his time and effort engaged in the accounting practice of Quantum Financial Advisors, P.A. Certain clients may maintain a relationship with both the financial planning and accounting practices of the firm, which will be provided under separate agreements. No referral fee or other incentive compensation arrangement exists should clients have a relationship with or seek the service of both of these entities.

Mr. Pilato is not actively engaged in another *investment-related* business or occupation. He is not registered nor has an application pending to register as a registered representative of a broker/dealer or associated person of a futures commission merchant, commodity pool operator, or commodity trading advisor. Therefore, Mr. Pilato does not receive commissions, bonuses or other compensation based on the sale of securities or other investment products, including that as a registered representative of a broker/dealer, and including distribution or service (“trail”) fees from the sale of mutual funds.

### Additional Compensation

Mr. Pilato is not compensated for advisory services involving performance-based fees, nor does he or the firm have a material relationship involving an issuer of a security. Quantum Financial Advisors, P.A. prohibits employees from accepting or receiving additional economic benefit, such as sales awards or other prizes, for providing advisory services to its clients.

### Supervision

Mr. Pilato serves in multiple capacities with Quantum Financial Advisors, P.A.: President; Firm Principal, Financial Planner and Investment Advisor Representative and is responsible for the supervision of the firm's advisory services activities and any of its staff.

The firm recognizes that not having all organizational duties segregated may potentially create a conflict of interest; firm policies ensure timely, accurate record keeping and supervision. Certain functions may be outsourced to qualified entities to assist in these efforts when deemed necessary.

Questions relative to Quantum Financial Advisors, P.A., staff, its services, or this ADV Part 2 may be made to the attention of Mr. Pilato at (561) 350-1632. Additional information about the firm, other advisory firms, or an associated representative is available at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov). A search for firms or associated personnel can be accomplished by name or firm identifier, known as an IARD number. The IARD number for Quantum Financial Advisors, P.A. is 141815, and Mr. Pilato's reference number is 5215155.

The business and disciplinary history, if any, of an investment advisory firm and its representatives may also be obtained by calling the Florida Division of Securities at (800) 848-3792.

### Requirements for State-Registered Advisers

There have been neither arbitration awards nor any awards where the firm or Mr. Pilato has been found liable in any civil, self-regulatory or administrative proceeding. Neither the firm nor Mr. Pilato has been the subject of any bankruptcy petition.

<sup>5</sup>The **CERTIFIED FINANCIAL PLANNER™**, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board’s enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

<sup>6</sup>The **Certified Public Accountant (CPA)** - CPAs are licensed and regulated by their state boards of accountancy. While state laws and regulations vary, the education, experience and testing requirements for licensure as a CPA generally include minimum college education (typically 150 credit hours with at least a baccalaureate degree and a concentration in accounting), minimum experience levels (most states require at least one year of experience providing services that involve the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills, all of which must be achieved under the supervision of or verification by a CPA), and successful passage of the Uniform CPA Examination. In order to maintain a CPA license, states generally require the completion of 40 hours of continuing professional education (CPE) each year (or 80 hours over a two year period or 120 hours over a three year period). Additionally, all American Institute of Certified Public Accountants (AICPA) members are required to follow a rigorous *Code of Professional Conduct* which requires that they act with integrity, objectivity, due care, competence, fully disclose any conflicts of interest (and obtain client consent if a conflict exists), maintain client confidentiality, disclose to the client any commission or referral fees, and serve the public interest when providing financial services. The vast majority of state boards of accountancy have adopted the AICPA’s Code of Professional Conduct within their state accountancy laws or have created their own.