



Item 1 – Cover Page

Form ADV Part2A
Disclosure Brochure

QFC Advisory LLC

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This brochure provides information about the qualifications and business practices of QFC Advisory LLC (“QFC”). If you have any questions about the contents of this brochure, please contact us at telephone number 865-984-3550. 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.

Registration as an investment adviser does not imply any level of skill or training. Additional information about QFC is available on the SEC’s website at www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with QFC who are registered, or are required to be registered, as investment adviser representatives of QFC.

Item 2 – Material Changes

At least annually, this section will be updated to discuss only specific material changes that are made to the QFC Advisory, LLC (“QFC”) brochure and provide our clients with a summary of such changes.

A full and current copy of our updated brochure is available free of charge and may be requested by contacting us at 865-984-3550 and can also be found at www.adviserinfo.sec.gov.

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Item 4 – Advisory Business

QFC Advisory, LLC (“QFC”) is a Tennessee limited liability company owned by Quality Financial Concepts LLC (the "Holding Company"). The Holding Company is managed by James Douglas (Doug) Horn, CFP®. Mr. Horn owns a controlling interest in the Holding Company. Prior to January 1, 2022, QFC operated as a sole proprietorship of Mr. Horn. Mr. Horn has provided investment advisory services since 1996 beginning while located in Texas and continuing after his move to Tennessee. QFC is a registered investment adviser with the Securities and Exchange Commission (“SEC”) as of May 2026. QFC provides financial planning and portfolio management services to individuals, high-net-worth individuals, trusts and estates, non-profits, and small businesses. These services may be on a discretionary or non-discretionary basis. The advisory services are more fully explained below.

I. Financial Planning Services

QFC provides financial planning services to clients. Financial planning begins with a comprehensive financial analysis of a client’s current financial condition. Based on this analysis, QFC assists the client in identifying financial needs and goals to develop a financial plan for the client to meet those needs and goals. As a part of this process, QFC may identify and provide assistance in the selection of qualified individuals in other disciplines, provide personal financial management, assist in estate tax analysis, and help in developing a record-keeping system.

QFC helps business owners design and structure financial reports and may prepare risk management analysis such as analysis of insurance coverage. QFC also analyzes benefit plans, considering a client’s financial needs, such as the impact on taxes, a client’s cash requirements, and estate issues.

QFC offers the following services as needed:

- Retirement Planning
- Education Costs Planning
- Estate Planning
- Insurance Needs Analysis
- Fringe Benefits Analysis

II. Traditional Investment Management Services and “Asset Allocation”

QFC offers investment management services on a discretionary and nondiscretionary basis. QFC will manage the client’s account based upon a client’s individual investment goals, objectives, risk tolerance, and investment time horizon. QFC will allocate a client’s assets based upon the client’s objectives and risk tolerance identified at the time of opening an account or the more recent objectives and risk tolerance if updated by the client. If the client’s securities portfolio is managed on a discretionary basis, QFC will have limited power of attorney to execute transactions on behalf of the client without obtaining specific client consent prior to every transaction. If the client’s securities portfolio is managed on a non-discretionary basis, QFC will notify and receive permission from the client prior to the sale or purchase of any or all of the securities contained in the client’s account. QFC will not execute any transaction in the non-discretionary account without prior client approval.

QFC allocates client assets into a combination of certain mutual funds, ETF’s, stocks, options, bonds, and/or other general securities, depending upon the objective of the portfolio and the client’s risk tolerance. In

discretionary accounts, the clients consent to the purchase or sale of securities to conform to the allocations determined by QFC. The securities purchased or sold by QFC represent particular asset classes within each account. Assets held in a client's account may change from time to time in the form of allocation or securities; and for all discretionary accounts, the client consents to QFC's rebalancing of the client portfolio.

QFC will tailor each portfolio to the client's request including avoiding certain securities or avoiding taking positions in certain companies. Such restrictions should be reasonable and documented in writing by the advisory client. The client may also restrict utilization of any single type of security or to utilize mutual funds only. If a client elects mutual funds only, a discount to the scheduled fees will be applied ranging from 0.3% to 0.4% depending upon the assets under management bracket. For additional information, see Item 5.

QFC may recommend other registered investment advisers to clients. Such recommendations will be made based upon a client's needs and the expertise of the particular investment adviser being recommended. QFC may be compensated by the recommended adviser with a portion of the fees paid to the adviser by the client. In each instance where QFC receives such a fee, the client will be provided with disclosure of this arrangement and will sign an agreement acknowledging this disclosure.

As of December 31, 2025, QFC managed \$128,775,037 in discretionary assets. As of December 31, 2025, QFC managed \$66,878 of non-discretionary assets.

Item 5 – Fees and Compensation

Advisory services are billed based upon the type of services rendered. Fees are subject to negotiation at QFC's discretion. Other than fixed fee arrangements discussed below, QFC may increase or modify fees upon providing 30 days advance notice to its clients. Fees for each service are shown below.

I. Financial Planning Fees

Fees for financial planning and related services are either on a fixed fee basis or an hourly or daily fee basis. Fixed fees are negotiated based upon the complexity of the specific project. Hourly fees range from \$50.00 to \$400.00 however the standard hourly rate is \$250.00 and per diem fees are up to \$3,500 per day, depending on the services to be provided. Fees are negotiable with each client and are based on various factors such as the services requested by the client, complexity of the client's situation, and research and resources needed to provide the requested services.

Generally, fees will be due one-half (1/2) upon client's execution of the advisory agreement and the balance due upon presentation or completion of the services. Client is advised that fees for financial planning are strictly for financial planning services. In the event the plan outlines existing weaknesses or additional services or products for the client and recommendations are made within the plan to meet these objectives; should the client elect to act on these recommendations, QFC or related parties may be entitled to receive additional compensation if the client requests QFC to implement the recommendations. However, financial planning clients are under no obligation to act upon any recommendations of QFC or to implement the recommendations through QFC, if they decide to follow the recommendations.

Either the client or QFC may terminate the agreement upon notice to the other party. In the event a client terminates after QFC has commenced working on the project but before completion of the services to be

rendered, QFC reserves the right to prorate the amount owed for the engagement. In this instance, the client will only be obligated to pay a portion of the fee based upon the amount of work performed by QFC prior to termination. If the requested financial service is not performed by QFC through no fault of the client, a full refund will be made to the client.

II. Traditional Investment Management and “Asset Allocation”

QFC is compensated for investment management services based on clients’ assets under management. Fees are paid quarterly in advance and are due on the first of each new billing period. The fees will be deducted from the respective account for the initial billing and each subsequent quarterly billing. The initial fee is based on the amount of assets initially deposited into the account. Thereafter, fees due for a quarterly period are based on the account’s average daily asset value during the prior quarterly period. A fee will also be imposed when additions of \$5,000 or more are made to existing portfolios or when new portfolios are added by the client. The account custodian will provide clients with an account statement reflecting the deduction of the advisory fee. If the advisory agreement is terminated at any time during the initial quarterly period, 75% of the initial fee is non-refundable. This policy is to reimburse QFC for the cost to establish the account and the initial consultation and analysis. If the advisory agreement is terminated after the initial quarterly period and the client is in compliance with the agreement, fees will be prorated to the date of termination which includes the required notice period and the unearned portion of the fee will be refunded to the client. Termination of the agreement becomes effective thirty days after written notice is received from the client via the U.S. postal service.

Fees are negotiable based on the nature of the services requested by the client, mix of investment products, complexity of the client’s situation, size of the client’s account, and client’s needs.

The following fee schedule is used as a maximum baseline for fee negotiations.

<i>Average Assets Under Management</i>	<i>Quarterly Percentage (%) Fee</i>
First \$100,000	1.90% x Average Daily Balance / 4
\$100,001 to \$250,000	1.70% x Average Balance in excess of prior bracket / 4 plus \$475.00 for prior Brackets; Average 1.780 % at upper limit
\$250,001 to \$500,000	1.60% x Average Balance in excess of prior bracket / 4 plus \$1,112.50 for prior Brackets; Average 1.690% at upper limit
\$500,001 to \$1,000,000	1.50% x Average Balance in excess of prior bracket / 4 plus \$2,112.50 for prior Brackets; Average 1.595% at upper limit
\$1,000,001 to \$2,500,000	1.35% x the average balance in excess of prior bracket/4 plus \$3,987.50 for prior Brackets; Average 1.448% at upper limit
\$2,500,001 to \$5,000,000	1.15% x Average Balance in excess of prior bracket / 4 plus \$9,050.00 for prior Brackets; Average 1.299% at upper limit

\$5,000,001 to \$7,500,000	0.95% x Average Balance in excess of prior bracket / 4 plus \$16,237.50 for prior Brackets; Average 1.183% at upper limit
\$7,500,001 and above	0.75% x Average Balance in excess of prior bracket / 4 plus \$22,181.25 for prior Brackets

The percentage fee is based upon the total assets in each bracket. For example, if a client has average assets equal to \$5 million during a quarterly period, the quarterly asset management fee for providing advisory services for the following quarter is \$16,237.50 (1.299% times the \$5 million, divided by four equals \$16,237.50).

Clients who instruct QFC to purchase or maintain specific securities within an account, outside the recommended portfolio, may be subject to an additional 20 basis points (.20%) fee in the above fee schedule for each fee bracket at the discretion of QFC due to the additional oversight required by QFC to monitor these types of accounts.

The minimum annual fee is \$2,750 for standard portfolio accounts. QFC may waive this minimum fee, in its discretion.

For clients who select mutual fund only portfolios will receive a reduced advisory fee and the asset minimum is reduced to \$25,000. The fee reduction shall be applied based upon table and brackets shown below. The fee reduction to a standard account will range between 1.15% to no discount depending upon the bracket.

<i>Average Assets Under Management</i>	<i>Quarterly Percentage (%) Fee</i>
First \$25,000	0.75% x Average Daily Balance / 4
\$25,001 to \$50,000	1.00% x Average Balance in excess of prior bracket / 4 plus \$46.88 for prior Brackets; Average 0.8750 % at upper limit
\$50,001 to \$100,000	1.40% x Average Balance in excess of prior bracket / 4 plus \$109.38 for prior Brackets; Average 1.1375% at upper limit
\$100,001 to \$250,000	1.30% x Average Balance in excess of prior bracket / 4 plus \$284.38 for prior Brackets; Average 1.2350% at upper limit
\$250,001 to \$500,000	1.20% x the average balance in excess of prior bracket/4 plus \$771.88 for prior Brackets; Average 1.2175% at upper limit
\$500,001 to \$1,000,000	1.10% x Average Balance in excess of prior bracket / 4 plus \$1,521.88 for prior Brackets; Average 1.1588% at upper limit
\$1,000,001 to \$5,000,000	1.00% x Average Balance in excess of prior bracket / 4 plus \$2,896.88 for prior Brackets; Average 1.0318% at upper limit

\$5,000,001 and above	0.75% x Average Balance in excess of prior bracket / 4 plus \$12,896.88 for prior Brackets
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The account custodian charges fees, which are in addition to and separate from the investment advisory fees. Custodians may charge accounts for various transaction costs, retirement plan, and administration fees. In addition, some mutual fund assets deposited in the account may be subject to deferred sales charges and 12(b) (1) fees. These fees pay for marketing and distribution expenses, such as brokers' commissions. Mutual funds may also have annual and transactional expenses, which are described in each fund's prospectus. At this time, QFC does not receive any of these types of fees with respect to any assets subject to the client advisory agreement and managed by QFC. However, it is possible that the custodian may receive such fees and if so, are retained by them. These fees may create a conflict of interest if the custodian receives a portion of these fees, however, QFC is not a party to any agreement between the custodian mutual funds nor does QFC participate in the earnings. Advisory clients should also note that fees for comparable services vary, and lower or higher fees for comparable services may be available from other custodians or advisers.

Fees are debited from clients' accounts. If the account does not contain sufficient cash to pay advisory fees, QFC has limited authority to sell or redeem securities in sufficient amounts to pay advisory fees.

III. Commissions and Investment Advisory Fees

In addition to providing investment advisory services through QFC, Mr. Horn is also affiliated with a registered broker-dealer, LPL Financial as broker-dealer registered representatives ("Dually Registered Persons"). In their capacity as registered representatives of LPL Financial, certain Dually Registered Persons may earn commissions for the sale of securities or investment products that they recommend for brokerage clients. They do not earn commissions on the sale of securities or investment products recommended or purchased in advisory accounts through QFC. Clients have the option of purchasing many of the securities and investment products we make available to you through another broker-dealer or investment adviser. However, when purchasing these securities and investment products away from QFC, you will not receive the benefit of the advice and other services we provide.

Through Mr. Horn's broker-dealer registration, he earns commissions on the sale of securities products. When a new client approaches Mr. Horn for investment-related services, Mr. Horn discusses the relative costs and benefits associated with QFC providing investment advisory services compared to the affiliated broker-dealer executing securities transactions on a commission basis. Clients then determine, based upon their investment needs and objectives, whether to engage QFC to provide investment advisory services, or to open a brokerage account, or in some cases, engage both QFC to provide investment advisory services for some assets while also engaging the affiliated broker-dealer to execute securities transactions outside of the investment advisory account for other assets.

QFC or related persons will not receive additional compensation (commissions or 12 (b)(1) fees) related to assets subject to this advisory agreement.

Clients are under no obligation to purchase investment products that Mr. Horn recommends. Clients have the option to purchase investment products through other broker-dealers that are not affiliated with Mr. Horn or QFC.

IV. Asset Management and Allocation Services through Third Party Investment Adviser

From time to time, QFC may receive compensation pursuant to its agreements with third-party advisers for introducing clients to these third-party advisers and for certain ongoing services provided to clients. This compensation is disclosed to the client in a separate disclosure document and is typically equal to a percentage of the investment advisory fee charged by that third-party adviser or a fixed fee. The disclosure document provided by QFC will clearly state the fees payable to QFC and the impact to the overall fees due to these payments. Since compensation QFC receives may differ depending on the agreement with each third-party adviser, QFC may have an incentive to recommend one third-party adviser over another, if the compensation arrangements are more favorable. Since the independent third-party adviser may pay the fee for the investment advisory services of QFC, the fee paid to QFC is not negotiable, under most circumstances. Fees paid by clients to independent third-parties are established and payable in accordance with the Form ADV Part II or other equivalent disclosure document of each independent third-party adviser to whom the Adviser refers its clients, and may or may not be negotiable, as disclosed in the disclosure documents of the third-party adviser.

Clients who are referred to third-party investment advisers will receive full disclosure, including services rendered and fee schedules, at the time of the referral by delivery of a copy of the relevant third-party adviser's Form ADV Part II or equivalent disclosure document at the same time as the Form ADV Part II or equivalent disclosure document of QFC. In addition, if the investment program recommended to a client is a wrap fee program, the client will also receive the Schedule H or equivalent wrap fee brochure provided by the sponsor of the program. QFC will provide to each client all appropriate disclosure statements, including disclosure of solicitation fees to QFC and its advisory associates.

Other Compensation

In addition to or as part of the services listed above, Doug Horn, CFP®, owner of QFC, may recommend investing in non-advisory securities or other financial products for which he receives a commission. The recommendation of products for which QFC receives commission creates a potential conflict of interest since there is an incentive to recommend one product over another if the compensation arrangements are more favorable. The client can elect not to accept this recommendation or utilize a different adviser.

IRA Rollovers

As a firm, QFC is a business and thus seeks new clients to provide services and generate revenue. Offering our advisory services to clients with retirement assets may be considered a conflict of interest since QFC will benefit with increased revenue should the service be accepted. QFC may recommend its advisory services and management of assets which may include rolling a qualified plan such as a 401K, 403b, or other plans into an IRA with QFC providing the management. QFC may also recommend its services for the management of other retirement account which also may be considered a conflict of interest. Such services will be subject to the advisory management fee schedule based upon the account size, type of assets being managed, and the tables above. As owner of such retirement accounts, you are not obligated to accept such recommendation or if you do, you are not under obligation to utilize the services of QFC.

For business qualified plans, there are generally several options available to the owner.

- In many cases, the owner may continue to maintain the account with their former employer;
- In the event the owner is employed with a new employer which also has a 401k plan, such owner may be able to roll their past employer plan assets into the new employer plan if permitted by the plan;

- The owner may elect to take a distribution and thus pay the related tax on the distribution;
- And the owner may elect to roll the assets to a personal IRA.

Each of the above options may impact you differently and one may be more beneficial than the other. You should seek professional advice to determine which option may be most appropriate to you.

Prior to rolling plans over to a personal IRA, the pros and cons should be considered:

- A. Remaining in the plan
 - a. Generally, there are no additional costs
 - b. The expense related to the funds within the plan may have lower costs than those available in IRA accounts
 - c. Some employer plans may have investment options not available elsewhere
 - d. There may be distribution benefits if assets remain in the plan, both early penalty-free distributions or a delay in the required distributions
 - e. There may or may not be professional guidance for investment selection
 - f. The plan may permit outside advisers to assist account holders
 - g. The investment selection may be limited with some security types not available
 - h. Plan assets are accessible while employed through a loan, although limited by plan and IRS rules
- B. Rolling plan assets into an IRA
 - a. May have access to a larger variety of investment options, however, the expense may be greater than the expenses within the plan
 - b. Can benefit from the management of a professional who knows you and provides fulltime management
 - c. While assets within the IRA are accessible, they are only accessible through a distribution which is subject to taxes and may be subject to a penalty
 - d. The strategies and risks may vary from those within the plan with the possibility of loss potentially being greater

It is important that you know the plan rules, benefits, and expenses such that you can properly evaluate whether or not rolling plan assets is best for you. In the event you have questions, you should reach out to your plan administrator for questions on the plan or to our office regarding our services and associated fees.

The management advisory fees accessed by QFC are in addition to the fees, expenses, and administration costs incurred by some types of investments such as mutual funds or those charged by custodians or the transaction fees which may occurred at the time of purchase or sale of an investment.

Item 6 – Performance-Based Fees and Side-By-Side Management

QFC does not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). QFC does not engage in side-by-side account management.

Item 7 – Types of Clients

QFC provides financial planning and portfolio management services to individuals, high-net-worth individuals, pension and profit-sharing plans, trusts and estates, non-profit entities, and business entities. QFC imposes a minimum asset size for its advisory investment management services of \$150,000. QFC may waive the minimum account size, in its discretion. For clients who request mutual fund only portfolios, the asset minimum to open an advisory account is reduced to \$25,000. For those mutual fund only portfolios with an opening value below \$75,000, such portfolios shall be subject to an initial non-refundable retainer fee of \$500.

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

For clients who receive financial planning services, investment techniques and strategies recommended in a financial plan generally will involve long-term or short-term holdings of securities or other investment products, and insurance and trust strategies, depending on the particular client's needs and objectives. For traditional asset allocation services, QFC uses asset allocation modeling to develop investment strategies for its clients. Recommendations are based on each client's investment goals, objectives, risk tolerance, and investment time horizon.

Recommendations may include stocks, bonds, mutual funds, option contracts on securities, investments in limited partnerships or limited liability companies, real estate investment trusts (REIT's), variable annuities, variable life insurance products, and wrap account investments. QFC does not provide advice regarding commodities. Recommendations for investments in limited partnerships or limited liability companies may include entities that are involved in a variety of businesses, including equipment leasing, and may be diversified in a variety of markets, including international markets. There are material risks involved in investing in all types of securities, but investments in securities that have restrictions on transferability or are not traded on a public exchange or market, such as partnership interests, have a high degree of risk and are not suitable for clients, except those who do not have a need for liquidity and can afford to lose their investment.

QFC's investment strategy may include holding investments for long-term appreciation or trading securities in the short-term, depending upon a client's investment objectives. Strategies that include trading securities for short-term gains generally have a higher degree of risk and may result in higher transaction costs and adverse tax consequences.

In providing advisory services, QFC may utilize or rely on financial newspapers and magazines, corporate rating services such as Morningstar®, annual reports, prospectuses, charting, press releases, research reports, analysis of performance provided by third parties, as well as publicly available research and reports. QFC analyzes historic information concerning the price of a security to determine if it is trading at an attractive relative valuation and may in certain instances conduct a fundamental analysis of a company, which may include a determination of the company's competitive position within its industry, and a comparison of the company's growth prospects and financial performance with that of its main competitors.

QFC purchases or sells securities within the model portfolios based upon the particular asset classes within each model portfolio. QFC determines the securities for each asset class used, as well as which asset classes and how many asset classes are used for each portfolio model based upon the model's investment objective.

If a third-party adviser or other investment manager is engaged to provide services, that third-party adviser or investment manager will determine the strategies and investments to be used with respect to any account it manages.

Investment Strategies

The investment strategies QFC uses to implement any investment advice given to clients includes the following:

- Long term Purchases (securities held at least a year)
- Short term purchases (securities sold within a year of purchase)
- Trading (securities sold within 30 days of purchase)
- Option buying and writing, including covered options, uncovered options or spreading strategies
- Utilization of Alternative Investments (Partnerships, Hedge Funds, etc.)

Investment Strategy Risks

General Risks

Lack of Diversification

Portfolio investments may be concentrated; and diversification may be limited. There are no limits with respect to position sizes. Any assets or combination of assets that can be held in a securities account can be purchased or sold.

Liquidity

Client account assets may be invested in liquid and illiquid securities. You should be aware that liquid securities may become less liquid during the holding period.

Cash and Cash Equivalents

Accounts may maintain significant cash positions from time to time and the client will pay the advisory fee based on the net asset value of the account, which may include cash and cash equivalents. Furthermore, the account may forego investment opportunities to hold cash positions if we consider it in the best interests of the accounts.

Leverage

You may determine to use leverage in investing. Such leverage may be obtained through various means. The use of short-term margin borrowings may result in certain additional risks to account assets. For example, should the securities pledged to a broker to secure a margin account decline in value, a “margin call” may be issued pursuant to which additional funds would be required to be deposited with the broker or the broker would affect a mandatory liquidation of the pledged securities to compensate for the decline in value. The client would be responsible for any tax liability incurred from said mandatory liquidation. We might not be able to liquidate assets quickly enough to pay off the margin debt and the accounts may therefore also suffer additional significant losses as a result of such default. Although borrowing money increases returns if returns on the incremental investments purchased with the borrowed accounts exceed the borrowing costs for such accounts, the use of leverage decreases returns if returns earned on such incremental investments are less than the costs of such borrowings. Adding the ability for leverage also allows for increased liquidity when funds may be needed by the investor and insufficient cash exists in the account.

Interest Rate Fluctuation

The prices of securities in which QFC may invest are sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding prices of the long and short portions of a position to move in directions which were not initially anticipated. In addition, interest rate increases generally will increase the interest carrying costs of borrowed securities and leveraged investments.

Long term Purchases (securities held at least a year)

Liquidity

The portfolio will be invested in liquid securities. It is possible, however, that securities become less liquid during the holding period.

Short term purchases (securities sold within a year)

Market Risks

The success of a significant portion of the program will depend, to a great extent, upon correctly assessing the future course of the price movements of the securities traded. There can be no assurance that the trading program will be able to predict accurately these price movements. Additionally, over time, the effectiveness of the trading program may decline for many reasons including other market participants developing similar programs or techniques.

Trading (securities sold within 30 days)

Market Risks

The success of a significant portion of a trading program will depend, to a great extent, upon correctly assessing the future course of the price movements of the securities traded. There can be no assurance that the trading program will be able to predict accurately these price movements. Additionally, over time, the effectiveness of the trading program may decline for many reasons including other market participants developing similar programs or techniques.

Trading is Speculative

There are risks involved in trading securities. Market movements are difficult to predict and are influenced by, among other things, government trade, fiscal, monetary and exchange control programs and policies; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and the inherent volatility of the marketplace. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in the financial instrument markets and such intervention (as well as other factors) may cause these markets to move rapidly.

Options and Other Derivatives

We may purchase or sell options, warrants, that trade on an exchange. Both the purchasing and selling of call and put options entail risks. An investment in an option may be subject to greater fluctuation than an investment in the underlying securities. The effectiveness of purchasing or selling stock index options as a hedging technique depends upon the extent to which price movements in the portion of the accounts' hedged correlate with price movements of the stock index selected. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular security, whether an account realizes

a gain or loss will depend upon movements in the level of security prices in securities markets generally rather than movements in the price of a particular security.

Uncovered Risks

We may employ various “risk-reduction” techniques designed to minimize the risk of loss in accounts. Nonetheless, substantial risk remains that such techniques will not always be possible to implement and when possible, will not always be effective in limiting losses. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the value of such positions decline, but utilize other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions’ value. Such hedge transactions also limit the opportunity for gain if the value of a portfolio position should increase. Moreover, it may not be possible for us to hedge against a fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at a price sufficient to protect from the decline in value of the portfolio position anticipated as a result of such a fluctuation. The success of the hedging transactions will be subject to the ability to correctly predict market fluctuations and movements. Therefore, while we may enter into such transactions to seek to reduce risks, unanticipated market movements and fluctuations may result in a poorer overall performance for the accounts Portfolio than if we had not engaged in any such hedging transactions. Finally, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary.

Utilization of Alternative Investments

Alternative investment products may be considered, including hedge funds, commodity hedged accounts and managed futures, involve a high degree of risk, often engage in leveraging and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important tax information, are not subject to the same regulatory requirements as mutual funds, often charge high fees which may offset any trading profits, and in many cases the underlying investments are not transparent and are known only to the investment manager.

Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of QFC or the integrity of QFC’s management.

Doug Horn was fined by the Tennessee Department of Commerce and Insurance, Securities Division (the “Securities Division”) the amount of \$5,800.00, and a consent order was entered into May 20, 2003 resolving a licensing matter for advisory services performed. The fine was paid and the consent order closed this matter. The fine arose when Doug Horn moved from Texas to Tennessee in the fall of 2001. Doug Horn was a registered investment adviser in the State of Texas and has continued his registration in Texas. Mr. Horn’s clients were primarily located in Texas up until the time Mr. Horn became licensed as an investment adviser under Tennessee law in 2003. However, the violation was cited by the Securities Division because Mr. Horn was conducting his business *from* the State of Tennessee during this interim period of time, despite the fact that Mr. Horn did not have any clients who resided in the State of Tennessee. The violation was solely related

to Mr. Horn not being registered under Tennessee law as an investment adviser during this period of time, and did not involve client assets or business practices. The annual registration fee for Mr. Horn to have become registered in the State of Tennessee at that time was \$200 per year. The failure to register was an administrative oversight. During this time, Mr. Horn possessed all other related licenses and such licenses reflected his change of residence to the State of Tennessee, including his license with the State of Texas as an investment adviser, his FINRA license as a registered representative, and various state insurance licenses in connection with his other related businesses.

Other than as described above, QFC and its management have nothing to report.

Item 10 – Other Financial Industry Activities and Affiliations

Doug Horn, the indirect owner of QFC, and certain employees of QFC are Dually Registered persons LPL Financial is a registered Broker-Dealer and FINRA member that is independently owned and operated and is not affiliated with QFC. Please refer to item 12 for a discussion of the benefits QFC may receive from LPL Financial and the conflicts of interest associated with receipt of such benefits. Mr. Horn is also a licensed insurance agent, and receives commissions from the sale of various insurance products. Acting as a registered representative or an independent insurance agent and not under QFC's advisory, Doug Horn may recommend a variety of securities or insurance products, each with their own compensation schedule. However, clients are under no obligation to act upon any recommendations or effect any transactions through the associated persons, if they decide to follow the recommendations.

QFC Services LLC, an affiliate of QFC, provides Tax Preparation services and Business Consulting to clients requesting such services. These services are provided under a separate agreement and are not part of or included with the Advisory Services.

As noted above, QFC may recommend third-party investment advisers in certain circumstances. Since compensation QFC receives may differ depending on the agreement with each third-party adviser, QFC may have an incentive to recommend one third-party adviser over another, if the compensation arrangements are more favorable.

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

QFC has adopted a Code of Ethics for the purpose of instructing its personnel in their ethical obligations and to provide rules for their personal securities transactions. QFC and its personnel owe a duty of loyalty, fairness, and good faith towards their clients, and the obligation to adhere not only to the specific provisions of the Code but to the general principles that guide the Code.

The Code covers a range of topics that may include: general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code, review and enforcement processes, amendments to Form ADV, and supervisory procedures. QFC will provide a copy of the Code to any client or prospective client upon request.

QFC does not generally recommend to clients, or buy or sell for client accounts, securities in which QFC has a material financial interest, including acting as a general partner in a partnership in which QFC solicits client investments.

From time to time, QFC may recommend that clients buy a security in which QFC or an associated person has an ownership position. Additionally, QFC or an associated person of QFC may purchase a security of the same class as securities held in a client's account or the same securities that are recommended to clients. It is QFC's policy not to permit associated persons to trade in a manner that takes advantage of price movements caused by clients' transactions.

Item 12 – Brokerage Practices

Clients may specify which broker-dealer will act as custodian for their assets and transact their advisory transactions, or QFC may make a recommendation. Each broker-dealer will have their own fee schedules for services which may vary higher or lower from other firms providing the same services. QFC has elected to use Charles Schwab to act as custodian and to execute securities transactions for client assets, unless directed otherwise by clients. QFC may use other firms at its discretion or when it is managing assets that cannot be transferred from their existing account.

When individual securities are being purchased or sold, QFC in its discretion may elect to aggregate transactions when such transactions are affecting multiple clients or portfolios. Such transactions are block purchases or sells and permits each client to receive the same transaction price. The custodian broker-dealer averages all buys necessary to complete the purchase order, or averages all sells to complete the sell order and then the quantity is allocated to client accounts per QFC's instructions. When QFC is reviewing individual portfolios and purchase or sell orders are placed to impact an individual account, these orders may not be aggregated.

Soft Dollars. In addition to execution quality, QFC may consider the value of various research services or products, beyond execution, that a broker-dealer provides to QFC or its clients. Charles Schwab provides to QFC these type of services without cost to QFC. Selecting a broker-dealer, such as Charles Schwab, in recognition of such other services or products is known as paying for those services or products with "soft dollars." Because many of those services could benefit QFC, it may have a conflict of interest in allocating client brokerage business. In other words, QFC could have an incentive to execute client transactions through Charles Schwab because it provides valuable services or products. It is possible that Charles Schwab may charge transaction commissions higher than QFC might otherwise be able to negotiate. QFC could also have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate soft dollars with which to acquire research products and services.

QFC will make decisions involving "soft dollars" in a manner that satisfies the requirements of the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended. That is, QFC will generally determine, considering all appropriate factors (including those described here), that commissions paid are reasonable in relation to the value of all the brokerage and research products and services provided by the broker-dealer. In making that determination, QFC may consider not only the particular transaction, and not only the value of brokerage and research services and products to a particular client, but also the value of those

services in QFC's performance of its overall responsibilities to all of its clients. Currently, QFC does not receive any soft dollar benefits for its clients, except for the services received from Charles Schwab.

QFC receives support services and/or products from LPL Financial, many of which assist QFC to better monitor and service program accounts maintained at LPL Financial; however, some of the services and products benefit QFC and not client accounts. These support services and/or products may be received without cost, at a discount, and/or at a negotiated rate, and may include the following:

- investment-related research
- pricing information and market data
- software and other technology that provide access to client account data
- compliance and/or practice management-related publications
- consulting services
- attendance at conferences, meetings, and other educational and/or social events
- marketing support
- computer hardware and/or software
- other products and services used by QFC in furtherance of its investment advisory business operations

LPL Financial may provide these services and products directly or may arrange for third party vendors to provide the services or products to QFC. In the case of third-party vendors, LPL Financial may pay for some or all the third party's fees.

These support services are provided to QFC based on the overall relationship between QFC and LPL Financial. It is not the result of soft dollar arrangements or any other express arrangements with LPL Financial that involves the execution of client transactions as a condition to the receipt of services. QFC will continue to receive the services regardless of the volume of client transactions executed with LPL Financial. Clients do not pay more for services as a result of this arrangement. There is no corresponding commitment made by the QFC to LPL or any other entity to invest any specific amount or percentage of client assets in any specific securities as a result of the arrangement. However, because QFC receives these benefits from LPL Financial, there is a potential conflict of interest. The receipt of these products and services presents a financial incentive for Advisor to recommend that its clients use LPL Financials custodial platform rather than another custodian's platform.

As discussed previously, certain associated persons of QFC are registered representatives of LPL Financial. As a result of this relationship, LPL Financial may have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about QFC's clients, even if client does not establish any account through LPL. If you would like a copy of the LPL Financial privacy policy, please contact (865) 984-3550.

LPL Financial makes available to QFC various products and services designed to assist QFC in managing and administering client accounts. Many of these products and services may be used to service all or a substantial

number of QFC's accounts, including accounts not held with LPL Financial. These include software and other technology that provide access to client account data (such as trade confirmation and account statements); facilitate trade execution (and aggregation and allocation of trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of QFC's fees from its clients' accounts; and assist with back-office functions; recordkeeping and client reporting.

LPL Financial also makes available to QFC other services intended to help QFC manage and further develop its business. Some of these services assist QFC to better monitor and service program accounts maintained at LPL Financial, however, many of these services benefit only QFC, for example, services that assist QFC in growing its business. These support services and/or products may be provided without cost, at a discount, and/or at a negotiated rate, and include practice management-related publications; consulting services; attendance at conferences and seminars, meetings, and other educational and/or social events; marketing support; and other products and services used by QFC in furtherance of the operation and development of its investment advisory business.

Where such services are provided by a third-party vendor, LPL Financial will either make a payment to QFC to cover the cost of such services, reimburse QFC for the cost associated with the services, or pay the third party vendor directly on behalf of QFC.

The products and services described above are provided to QFC as part of its overall relationship with LPL Financial. While as a fiduciary QFC endeavors to act in its clients' best interests, the receipt of these benefits creates a conflict of interest because QFC's recommendation that clients custody their assets at LPL Financial is based in part on the benefit to QFC of the availability of the foregoing products and services and not solely on the nature, cost or quality of custody or brokerage services provided by LPL Financial. QFC's receipt of some of these benefits may be based on the amount of advisory assets custodied on the LPL Financial platform.

LPL Financial provides various benefits and payments to Dually Registered Persons that are new to the LPL Financial platform to assist the representative with the costs (including foregone revenues during account transition) associated with transitioning his or her business to the LPL Financial platform (collectively referred to as "Transition Assistance"). The proceeds of such Transition Assistance payments are intended to be used for a variety of purposes, including but not necessarily limited to, providing working capital to assist in funding the Dually Registered Person's business, satisfying any outstanding debt owed to the Dually Registered Person's prior firm, offsetting account transfer fees (ACATs) payable to LPL Financial as a result of the Dually Registered Person's clients transitioning to LPL Financials custodial platform, technology set-up fees, marketing and mailing costs, stationary and licensure transfer fees, moving expenses, office space expenses, staffing support and termination fees associated with moving accounts.

The amount of the Transition Assistance payments are often significant in relation to the overall revenue earned or compensation received by the Dually Registered Person at [his/her] prior firm. Such payments are generally based on the size of the Dually Registered Person's business established at [his/her] prior firm and/or assets under custody on the LPL Financial. Please refer to the relevant Part 2B brochure supplement for more information about the specific Transition Payments your representative receives.

Transition Assistance payments and other benefits are provided to associated persons of QFC in their capacity as registered representatives of LPL Financial. However, the receipt of Transition Assistance by such Dually

Registered Persons creates conflicts of interest relating to QFC's advisory business because it creates a financial incentive for QFC's representatives to recommend that its clients maintain their accounts with LPL Financial. In certain instances, the receipt of such benefits is dependent on a Dually Registered Person maintaining its clients' assets with LPL Financial and therefore QFC has an incentive to recommend that clients maintain their account with LPL Financial in order to generate such benefits.

QFC attempts to mitigate these conflicts of interest by evaluating and recommending that clients use LPL Financial's services based on the benefits that such services provide to our clients, rather than the Transition Assistance earned by any particular Dually Registered Person. QFC considers LPL Financial's technology and ease of use in its ability to assist the advisor in monitoring, trading, and managing the investment accounts when recommending or requiring that clients maintain accounts with LPL Financial. QFC will also consider fees impacting client accounts charged by LPL Financial compared to other providers. However, clients should be aware of this conflict and take it into consideration in deciding whether to custody their assets in a brokerage account at LPL Financial.

Item 13 – Review of Accounts

Reviews will be conducted not less than annually or as agreed upon by client and QFC by Doug Horn. Clients may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place. Clients may be charged an advisory fee for additional reviews. Generally, Mr. Horn will monitor accounts for changes or shifts in the economy, changes to the management and structure of a mutual fund or company in which client assets are invested, and market shifts and corrections. Clients should notify QFC of any changes in their financial status.

QFC sends a quarterly written report to all clients when the account is billed. The report includes the invoice copy and a current position report. When reviews take place, QFC may provide additional oral or written reports covering performance or other information requested by the client.

Item 14 – Client Referrals and Other Compensation

QFC does not engage in activity with non-clients to gain economic benefits including sales awards or other prizes.

QFC does not have any arrangements or agreements at this time to compensate any third party for referrals of business. However, from time to time, QFC may compensate a person who is not a QFC supervised person for client referrals on a negotiated basis. Prior to entering into any such arrangement QFC and the third party will disclose the arrangement to the client and have the client execute an acknowledgement of such disclosure.

Item 15 – Custody

The Advisor does not maintain custody of client funds or securities but is deemed to have custody solely with respect to its authority to deduct authorized fees from the client's account. Aside from that fee deduction authority, the Advisor does not have authority to withdraw or access assets in the client's account.

For assets held in an account, Charles Schwab acts as custodian of such assets. QFC may also provide investment advice for a client's 401K, in which case a third-party custodian holds the 401K assets. Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains investment assets. QFC urges its clients to carefully review such statements and compare such official custodial records to the account statements that QFC may provide.

Item 16 – Investment Discretion

QFC may receive discretionary authority from the client at the outset of an advisory relationship. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular account. Discretionary authority is obtained by a power of attorney which is a part of the client agreement executed at the time of the account opening.

Item 17 – Voting Client Securities

QFC does not have authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client accounts. Clients should contact the securities custodian for questions regarding receipt of proxies.

Item 18 – Financial Information

QFC may require a portion of a financial planning fee in advance but does not require or solicit prepayment of fees per client six months or more in advance and therefore is not required to file financial information.

QFC's financial condition is not reasonably likely to impair its ability to meet contractual commitments to clients. QFC has not been the subject of a bankruptcy proceeding in the last ten years or before that time period.