

# Waterford Capital Investment Advisory Services, LLC

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Date of Brochure: March 31, 2022

Form ADV, Part 2; our “Disclosure Brochure” or “Brochure” as required by the Investment Advisors Act of 1940 is very important document between Clients (you, your) and Waterford Capital Investment Advisory Services, LLC (us, we, our). This Brochure provides information about our qualifications and business practices.

***This brochure provides information about the qualification and business practices of Waterford Capital Investment Advisory Services, LLC. If you have any questions about the contents of this brochure, please contact us at 214-363-6920. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”).***

***Additional information about Waterford Capital Investment Advisory Services, LLC also is available at the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (click on the link, select “investment advisor firm” and type in our firm name). Results will provide you both Part 1 and 2 of our Form ADV.***

We are a registered through and regulated by the SEC. Our registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this Brochure, is information you use to evaluate us (and other advisers) which are factors in your decision to hire us or to continue to maintain a mutually beneficial relationship.

## Item 2 – Material Changes

1. In future filings, this section of the Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). We have the following material changes to disclose:
  - a. We have disclosed a conflict of interest presented by the relationship between our affiliated broker-dealer and the BCPTX Fund 1, L.P. in Item 4 and Item 10.
2. We may, at any time, update this Brochure and either send you a copy of offer to send you a copy (either by electronic means (email) or in hard copy form).
3. If you would like a copy of this Brochure, please download it from the SEC Website as indicated above or you may contact our Managing Director, David P. O’Connor, at 214-363-6920 or [david@waterfordcapital.com](mailto:david@waterfordcapital.com).

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## Item 4 – Advisory Business

### Description of Advisory Services:

We have been in business since May 15, 2007. The principal owner is David P. O'Connor. Our total assets under management are \$143 million as of December 31, 2021, all managed on a non-discretionary basis.

We are a boutique investment management firm providing investment management services to high net worth individuals and families, both in their individual capacities and through trusts and family partnerships. We may also provide services to private pooled investment vehicles. We tailor our advisory services to the individual needs of our clients based on information provided to us by our clients regarding their financial needs and objectives. Clients may impose restrictions on investing in certain securities or types of securities.

We offer advice on the following types of securities:

- Exchange-listed equity securities
- Securities traded over-the-counter
- Municipal securities
- United States government securities
- Mutual funds
- Exchange Traded Funds
- Private investment funds, including private equity funds and hedge fund

We make recommendations to clients regarding which securities to buy and sell, when to buy and sell and what amounts. We will not implement any trade or portfolio reallocation without the consent of the client, either written or verbal.

As a core part of our investment advice, we recommend investments in Exchange Traded Funds (ETFs). ETFs may assess a management fee as a shareholder expense in addition to the management fee that we charge. Money market funds also assess a management fee as a shareholder expense.

We also offer management services for certain alternative investments. We will prepare due diligence on the investments and provide ongoing monitoring. We reserve the ability to hire and fire alternative investment managers as needed without prior consent of the client.

An investment advisory client may close his/her account by giving us at least two days written notice. If an account is closed, any management fees will be prorated to the termination date.

## Item 5 – Fees and Compensation

### Fee Schedule

Our standard investment management fee for separately managed accounts is 1.00%, although fees are negotiable. Fees are payable quarterly in arrears based upon the month end net asset value of the client's account.

### Fee Payment Options

As indicated in our advisory agreement with the client(s), there are two options the client(s) may select to pay for our services:

- Direct debiting (preferred): at the inception of the relationship and each quarter thereafter, we will notify the custodian of the amount of the fee due and payable to us through our fees schedule and contract. The custodian does not validate or check the calculation of our fee. They will “deduct” the fee from the client(s) account or, if the client has more than one account, from the account the client may have designated to pay our advisory fees.
  - Each month, the client will receive a statement directly from the custodian showing all transactions, positions and credits/debits into or from the client's account; the statements after the quarter end will reflect these transactions, including the advisory fee paid by the client to us.
- Pay-by-check: At the inception of the Account and each quarter thereafter, we issue the client an invoice for our services and the client pays us by check or wire transfer within 15 days of the date of the invoice.

### **Additional Fees and Expenses:**

Advisory fees payable to us do not include the fees the client will pay when we purchase or sell securities for client's account(s). The following list of fees or expenses are what the client pays directly to third parties, whether a security is being purchased, sold or held in the client's account (s) under our management. Fees charged are by the broker dealer/custodian. We do not receive, directly or indirectly, any of these fees charged to the client. They are paid to your broker, custodian or the mutual fund or other investment the client holds. The fees include:

- Brokerage commissions;
- Transaction fees;
- Exchange fees;
- SEC fees;
- Advisory fees and administrative fees charged by Mutual Funds (MF)

- Custodial Fees;
- Deferred sales charges (on MF or annuities);
- Odd-Lot differentials;
- Deferred sales charges (charged by MFs);
- Transfer taxes;
- Wire transfer and electronic fund processing fees;
- Commissions or mark-ups / mark-downs on security transactions;
- Among others that may be incurred.

Any commissions charged to clients who use Southwest Securities are used to offset quarterly management fees. You have the option to purchase investment products that we recommend through other brokers or agents that are not affiliated with us.

In addition, we do not have any person associated with us who receives (directly or indirectly) any compensation from the sale of securities or investments that are purchased or sold for your account. As a result, we are a “fee only” investment adviser. We do not have any potential conflicts of interest present that relate to any additional compensation from you or your assets that we manage.

### **Other Compensation:**

David O’Connor receives additional compensation from his outside business activities. David O’Connor is Principal, FinOp, CCO and a registered representative of Waterford Capital Inc., a broker-dealer. Waterford Capital, Inc. receives a performance-based fee from BCPTX Fund 1, L.P. Because of his relationship with Waterford Capital Inc., David O’Connor has an incentive to market the BCPTX Fund 1, L.P. to his advisory clients and, therefore, increase the performance fee received by Waterford Capital Inc. This creates a conflict of interest as David O’Connor will receive compensation from the performance-based fee received by the broker-dealer.

While David O’Connor endeavors at all times to put the interest of our clients first as part of our fiduciary duty, the possibility of receiving additional compensation creates a conflict of interest, and may affect his judgment when marketing BCPTX Fund 1, L.P. We require that all IARs disclose this conflict of interest when such marketing is done. Also, we require IARs to disclose that Clients are under no obligation to purchase the products we market, and that they may purchase marketed products with broker-dealers not affiliated with us.

Our Code of Ethics requires our IARs do what is in the client’s best interests at all times. In his role as CCO, David O’Connor monitors all transactions to ensure that clients’ interests are first, not the commission he may receive. See, Item 10 – Other Financial Industry Activities and Affiliations, below, for additional information.

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

We do not charge advisory fees on a share of the capital appreciation of the funds or securities in your account (so-called performance based fees). Our advisory fee compensation is charged only as disclosed above in Item 5, Fees and Compensation.

## Item 7 – Types of Clients

We can provide our services to a number of types of Clients;

- Individuals, including high net worth individuals
- Trusts, estates and charitable organizations
- Family limited partnerships
- Private pooled investment vehicles

We generally impose a minimum account size of \$5 million, although we may accept accounts with fewer assets at our discretion.



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

### **Analysis:**

When providing advisory services, we use Modern Portfolio Theory (MPT) management techniques. MPT techniques are concerned with investment analysis, portfolio design and performance evaluation. These methods quantify our views regarding risk and its relationship to investment returns. MPT focuses attention on the overall components. It is our goal to design portfolios based on the specific risk-reward parameters defined by you and the portfolio objectives identified by you.

### **Investment Strategies:**

We use an asset allocation approach based on MPT as our core investment strategy. Using this approach, we select a mix of asset classes among which we efficiently allocate your capital by matching rates of return to your specified tolerance for risk. We consider the covariance of assets in each portfolio to measure the diversification between assets. We seek to structure portfolios using assets that have low covariance, or correlation, with each other to provide diversification. We believe that the number of assets in a portfolio is less important than the relationship of those assets.

We use both Strategic Asset Allocation and Tactical Asset Allocation to structure and monitor portfolios. Strategic Asset Allocation uses historical data (mean rates of return, standard deviations and covariance) in an attempt to understand how the asset has performed and is likely to perform over long periods of time. The goal is not to “beat” the market, but to establish a long-term investment strategy using a core mix of assets. Tactical Asset Allocation uses periodic assumptions regarding the performance and characteristics of the assets and/or the economy. This approach attempts to improve portfolio performance by making “mid-course” changes in the long-term strategy based on near-term expectations.

Our approach to money management ignores the narrow approach of attempting to beat the performance of individual markets. We apply a much broader method of devising strategies which we believe will achieve your long-term objectives within specified risk parameters.

### **Risk of Loss:**

All investments in securities include a risk of loss of our principal (invested amount) and any profits that have not been realized (the securities were not sold to “lock in” the profit). As you know, stock markets, bond markets fluctuate substantially over time.

In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets we manage that may be out of our control. We will do our very best in the management of your assets; however, we

cannot guarantee any level of performance or that you will not experience a loss of your account assets.

### ***Modern Portfolio Theory (MPT) Risk***

Modern Portfolio Theory tries to understand the market as a whole and measure market risk in an attempt to reduce the inherent risks of investing in the market. However, with every financial investment strategy there is a risk of a loss of principal. Not every investment decision will be profitable, and there can be no guarantee of any level of performance.

### ***Exchange Traded Fund (“ETF”) Risk***

Most ETFs are passively managed investment companies whose shares are purchased and sold on a securities exchange. An ETF represents a portfolio of securities designed to track a particular market segment or index. ETFs are subject to the following risks that do not apply to conventional funds:

- The market price of the ETF’s shares may trade at a premium or a discount to their net asset value;
- An active trading market for an ETF’s shares may not develop or be maintained; and
- There is no assurance that the requirements of the exchange necessary to maintain the listing of an ETF will continue to be met or remain unchanged

### ***Mutual Funds Risk***

The following is a list of some general risks associated with investing in mutual funds.

- **Country Risk** - The possibility that political events (a war, national elections), financial problems (rising inflation, government default), or natural disasters (an earthquake, a poor harvest) will weaken a country's economy and cause investments in that country to decline.
- **Currency Risk** -The possibility that returns could be reduced for Americans investing in foreign securities because of a rise in the value of the U.S. dollar against foreign currencies. Also called exchange-rate risk.
- **Income Risk** - The possibility that a fixed-income fund's dividends will decline as a result of falling overall interest rates.
- **Industry Risk** - The possibility that a group of stocks in a single industry will decline in price due to developments in that industry.
- **Inflation Risk** - The possibility that increases in the cost of living will reduce or eliminate a fund's real inflation-adjusted returns.

- **Manager Risk** -The possibility that an actively managed mutual fund's investment adviser will fail to execute the fund's investment strategy effectively resulting in the failure of stated objectives.
- **Market Risk** -The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.
- **Principal Risk** -The possibility that an investment will go down in value, or "lose money," from the original or invested amount.

### ***Overall Risks***

Clients need to remember that past performance is no guarantee of future results. All funds carry some level of risk. You may lose some or all of the money you invest, including your principal, because the securities held by a fund goes up and down in value. Dividend or interest payments may also fluctuate, or stop completely, as market conditions change.

Before you invest, be sure to read a fund's prospectus and shareholder reports to learn about its investment strategy and the potential risks. Funds with higher rates of return may take risks that are beyond your comfort level and are inconsistent with your financial goals.

While past performance does not necessarily predict future returns, it can tell you how volatile (or stable) a fund has been over a period of time. Generally, the more volatile a fund, the higher the investment risk. If you'll need your money to meet a financial goal in the near-term, you probably can't afford the risk of investing in a fund with a volatile history because you will not have enough time to ride out any declines in the stock market.

## **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 your evaluation of us or the integrity of our management. We do not have any information to disclose concerning WCIAS or any of our IARs. We adhere to high ethical standards for all IARs and associates.

## Item 10 – Other Financial Industry Activities and Affiliations

David O'Connor is Principal, FinOp, CCO and a registered representative of Waterford Capital Inc., a broker-dealer. While David O'Connor does not receive commissions through his broker-dealer, he spends approximately 10 hours per month in his role as Chief Compliance Officer. Per the Adviser's Policies and Procedures, David O'Connor is required to disclose this conflict of interest to clients when recommendations are made. To mitigate this conflict of interest, the Adviser offsets any advisory fees by any equity trading commissions paid through the broker-dealer. Our Code of Ethics requires our IARs do what is in the client's best interests at all times. In his role as CCO, David O'Connor monitors all transactions to ensure that clients' interests are first, not the commission they may receive. The broker-dealer also monitors all transaction to make certain they are suitable for the client.

In addition, Waterford Capital, Inc. has a profit-sharing interest in the distributions paid to the general partner of the BCPTX Fund 1, L.P. This fund will seek to generate capital appreciate and income through real estate investments primarily in the convenience retail sector. Waterford Capital, Inc. shall receive an amount equal to ten percent (10.00%) of the distributions paid by BCPTX Fund 1, L.P. to the general partner with respect to the general partner's "carried interest" in the fund. Also, Waterford Capital, Inc. shall receive ten percent (10.00%) of the net sale proceeds for the sale of the general partner, should such a sale occur. Though his relationship with Waterford Capital Inc., David O'Connor has an incentive to market the BCPTX Fund 1, L.P. to advisory clients and, therefore, generate revenue for Waterford Capital Inc.

While David O'Connor endeavors at all times to put the interest of our clients first as part of our fiduciary duty, the possibility of receiving additional compensation creates a conflict of interest, and may affect his judgment when marketing BCPTX Fund 1, L.P. We require that all IARs disclose this conflict of interest when marketing transactions of this type. Also, we require IARs to disclose that Clients are under no obligation to purchase the products we market, and that they may purchase recommended products with broker-dealers not affiliated with us.

David O'Connor also serves as a member of the General Partnership for W. Resources. David O'Connor may be compensated if there are sufficient funds left in the administrative fees. He will also share in the promote. Since these private placements are sold to existing advisory clients, this is a conflict of interest as David O'Connor receives compensation for his work with the fund as well as management fees from his clients. The Policies and Procedures require that clients be notified of this conflict and advise them they are not required to invest. The Adviser also reviews all client investments to determine that they are in the client's best inserts.

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

As required by regulation, and because it's good business, we have adopted a Code of Ethics that governs a number of potential conflicts of interest we have when providing our advisory services to our clients. This Code of Ethics is designed to ensure we meet our fiduciary obligation to our Client, (or Prospective Client) and to create culture of compliance within our firm.

An additional benefit of our Code is to detect and prevent violations of securities laws, including our obligations we owe to our clients.

Our Code is comprehensive, is distributed to each employee at the time of hire, and annually thereafter (if there are changes). We also supplement the Code with annual training and on-going monitoring of employee activity.

Our Code includes the following;

- Our fiduciary duty to our client(s)
- Requirements related to the confidentiality of our client(s) information;
- Prohibitions on:
  - Insider trading (if we are in possession of material, non-public information);
  - Engaging in certain transactions
  - The acceptance of gifts and entertainment that exceed our policy standards;
- Reporting of gifts and business entertainment;
- Pre-clearance of employee and firm transactions;
- Reporting (on an on-going and quarterly basis) all personal securities transactions (what we call “reportable securities” as mandated by regulation); and,
- On an annual basis, we require all employees to re-certify receipt of our Code, submit a complete report of securities holdings and on a monthly basis to submit copies of all statements reflecting personal securities transactions in reportable securities.

Our Code prohibits anyone associated with WCIAS from having an interest in a client account or participating in the profits of a client's account without the approval of the CCO.

The following acts are prohibited:

- Employing any device, scheme or artifice to defraud
- Making any untrue statement of a material fact
- Omitting to state a material fact necessary in order to make a statement, in light of the circumstances under which it is made, not misleading
- Engaging in any fraudulent or deceitful act, practice or course of business
- Engaging in any manipulative practices

Clients and prospective clients may request a copy of the firm's Code of Ethics by contacting the CCO.

Our code does not prohibit personal trading by employees (or our firm). As a professional investment adviser, we follow our own advice. As a result, we may purchase or sell the same or similar securities (or securities that are suitable for an employee or related account but not suitable for any of our clients) at the same time that we place transactions for our client's accounts. We have a Personal Trading Policy in place which requires all employees to provide statements or other documents to our Chief Compliance Officer for review. Our Chief Compliance Officer will review all personal trading to make sure that clients are given first priority on all trades and that personal transactions do not conflict with our clients' interests.

A copy of our Code may be requested by contacting us at the address, telephone or email on the cover page of this Part 2, attn.: Chief Compliance Officer.

## **Item 12 – Brokerage Practices**

### **General Considerations-selecting/recommending brokers for Client transactions and commission charges;**

When our clients accept our Investment Management Agreement, they are directed to accept Charles Schwab & Co., Inc. (“Schwab”) as our brokerage custodian. We have selected this broker based on their trading expertise, stature in the industry, net prices, execution ability, facilities, reliability, financial responsibility and managed account administrative services. We have entered into an Investment Adviser Services Agreement with these firms whereby they will provide, among other things, account administration, custody and brokerage services for our clients. While we believe that this firm provides our clients with competitive commission rates, our clients may pay commissions that are higher than those clients that would pay at other broker-dealers.

We occasionally use Southwest Securities as a custodian for investment advisory purposes outside of our relationship with Schwab.

### **Research and Other Soft Dollar Benefits;**

We do not receive research or other products or services (“soft dollar benefits”) other than execution from any broker-dealer or other third party.

### **Brokerage for Client Referrals**

We do not receive client referrals from the broker-dealers that we work with in exchange for using their services.

### **Directed Brokerage**

Our practice of requiring you to direct us to execute transactions through one of our selected broker-dealers may make us unable to achieve most favorable execution of your transactions and this may cost you more money. Not all advisers require clients to direct brokerage transactions.

### **Principal Trading**

We do not sell securities from or purchase securities in any account for which we have a beneficial interest.

### **Cross Transactions – Agency Cross Transactions**

We do not sell securities to a client that was obtained from the account of another client.



## **Order Aggregation**

We only aggregate orders belonging to related family accounts. Orders of two or more clients may be aggregated only if we determine, on an individual basis, that the securities order is in the best interests of each client participating in the order; consistent with our duty to obtain best execution; and consistent with the terms of the investment advisory agreement of each participating client.

### **Item 13 – Review of Accounts**

All accounts will be reviewed on a monthly basis by David O'Connor. Additionally, the accounts will be reviewed quarterly with each customer either in-person or over the telephone. The reviews will focus on performance of the portfolio's and have not special trigger other than then end of a quarter.

Clients will receive monthly statements from the account custodian. WCIAS plans to generate quarterly account reports on the valuation of the securities, the asset allocation, and WCIAS's outlook. The report will also include performance information for the quarter and overtime.

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

WCIAS does not receive any compensation or other economic benefit from a third party for providing investment advice or products to our clients.

WCIAS has not entered into solicitation agreements with individuals to refer potential clients to us in return for cash or any other type of compensation.

## Item 15 – Custody

We do not maintain custody of client funds. However, we do directly debit advisory fees from client account as discussed in Item 5 of this brochure.

Our clients will receive account statements directly from the broker-dealer carrying your account. Our clients should carefully review these statements and our clients have any questions or concerns, they should contact us immediately. If our clients are receiving separate statements from us, we urge them to compare our statements with the statements that they receive from the broker-dealer.

We do not debit the client fees directly from your advisory account. We send information to your custodian to debit your fees and to pay them to us. You authorized the custodian to pay us directly at the onset of the relationship.

## Item 16 – Investment Discretion

We manage assets on both a discretionary and non-discretionary basis. At the time of account opening, we will determine whether we will require that you grant us authority to manage your account on a discretionary or non-discretionary basis. The type of authority we are granted will be detailed in the Advisory Agreement. Prior to assuming discretionary authority, clients must execute the Advisory Agreement.

If we are granted discretionary authority through your Advisory Agreement, that means you have given us the authority to determine the following without your consent:

- Securities to be bought or sold for your account
- Amount of securities to be bought or sold for your account
- Broker-dealer to be used for a purchase or sale of securities for your account
- Commission rates to be paid to a broker or dealer for your securities transaction.

In all cases, however, this discretion is exercised in a manner consistent with your stated investment objectives for your account.

When selecting securities and determining amounts, we observe the investment policies, limitations and restrictions you have set. For registered investment companies, our authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

If we do not receive discretionary authority from you, we will not select the type of securities and amount of securities to be bought or sold.

## **Item 17 – Voting Client Securities (i.e., Proxy Voting)**

As a matter of firm policy and practice, we do not have any authority to and do not vote proxies on behalf of advisory clients. You retain the responsibility for receiving and voting proxies for any and all securities maintained in your portfolios. We may provide advice to you regarding your voting of proxies. The custodian will forward you copies of all proxies and shareholder communications relating to your account assets.

## **Item 18 – Financial Information**

We are required to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that would impair our ability to meet any contractual and fiduciary commitments to you, our client. We have not been the subject of any bankruptcy proceedings.

In no event shall we charge advisory fees that are both in excess of twelve hundred dollars and more than six months in advance of advisory services rendered.