

# Disclosure Brochure

March 16, 2023

**THE WATERFORD GROUP, LLC**  
*a Registered Investment Adviser*

1657 East Avenue, Suite 200  
Rochester, NY 14610  
(585) 434-0649  
[www.waterfordgroupny.com](http://www.waterfordgroupny.com)

This brochure provides information about the qualifications and business practices of The Waterford Group, LLC (herein after “The Waterford Group”). If you have any questions about the contents of this brochure, please contact Brian P. Costello at 585-434-0646. The information in this brochure has not been approved or verified by the United States Securities and Exchange commission or by any state securities authority. Additional information about The Waterford Group, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The Waterford Group, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

There are no material changes in this brochure from the last annual updating amendment of The Waterford Group on 03/15/2022. Material changes relate to The Waterford Group's policies, practices or conflicts of interests only.

### Item 3. Table of Contents

Item 1. Cover Page.....	i
Item 2. Material Changes .....	ii
Item 3. Table of Contents .....	iii
Item 4. Advisory Business .....	4
Item 5. Fees and Compensation .....	7
Item 6. Performance-Based Fees and Side-by-Side Management .....	9
Item 7. Types of Clients.....	9
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss .....	9
Item 9. Disciplinary Information .....	10
Item 10. Other Financial Industry Activities and Affiliations.....	11
Item 11. Code of Ethics.....	11
Item 12. Brokerage Practices .....	12
Item 13. Review of Accounts.....	14
Item 14. Client Referrals and Other Compensation .....	14
Item 15. Custody .....	16
Item 16. Investment Discretion.....	16
Item 17. Voting Client Securities .....	16
Item 18. Financial Information .....	17

## Item 4. Advisory Business

The Waterford Group has been in business since January 18, 2011. The Alera Group is the principal owner of The Waterford Group.

The Waterford Group's investment advisory services are currently limited to the discretionary management of investment portfolios in accordance with the investment objective(s) of the client. The Waterford Group generally does not provide financial planning or other consulting services. To the extent specifically requested by a client, The Waterford Group may provide limited consultation services to its investment management clients on investment and non-investment related matters. Any such consultation services, to the extent rendered, shall be rendered exclusively on an unsolicited basis.

### Investment Management Services

---

The Waterford Group can be engaged to manage all or a portion of a client's assets. The Waterford Group intends to primarily allocate its client's investment management assets, on a discretionary basis among *Independent Managers* (as defined below), mutual funds, and exchange traded funds. The Waterford Group may also provide advice about any type of investment held in a client's portfolio.

The Waterford Group also may render non-discretionary investment management services to clients relative to: variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client's primary custodian. In so doing, The Waterford Group either directs or recommends the allocation of client assets among the various investment options that are available with the product. The client assets shall be maintained at the specific insurance company or custodian designated by the product.

It is The Waterford Group's practice to tailor its advisory services to the individual needs of clients. The Waterford Group will ensure that each client's investments are suitable for that client and consistent with their investment needs, goals, objectives and risk tolerance as well as any restrictions requested by the client.

Clients shall have the ability to impose reasonable restrictions on the management of their account, including the ability to instruct The Waterford Group not to purchase certain securities or types of securities.

The Waterford Group's clients are advised to promptly notify The Waterford Group if there are ever any changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon The Waterford Group's management services.

### Use of Independent Managers

---

As mentioned above, The Waterford Group recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment manager(s) ("*Independent Manager(s)*"), based upon the stated investment objectives of the client. The

terms and conditions under which the client shall engage the *Independent Manager(s)* shall be set forth in separate written agreements between (1) the client and The Waterford Group and (2) The Waterford Group or client and the designated *Independent Manager(s)*. The Waterford Group shall continue to render services to the client relative to the discretionary selection of *Independent Manager(s)* as well as the monitoring and review of account performance and client investment objectives, for which The Waterford Group shall receive an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Manager(s)*.

When selecting an *Independent Manager* for a client, The Waterford Group shall review information about the *Independent Manager(s)* such as its disclosure statement and/or material supplied by the *Independent Manager(s)* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that The Waterford Group shall consider in recommending *Independent Manager(s)* include the client's stated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated *Independent Manager(s)*, together with the fees charged by the wrap fee program sponsor and corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, The Waterford Group's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by The Waterford Group, the designated *Independent Manager(s)*, wrap fee program sponsor (if applicable), and corresponding broker-dealer and custodian.

In addition to The Waterford Group's written disclosure statement, the client shall also receive the written disclosure statement of the designated *Independent Manager(s)* and wrap fee program sponsor (if applicable). Certain *Independent Manager(s)* may impose more restrictive account requirements and varying billing practices than The Waterford Group. In such instances, The Waterford Group may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Manager(s)* or wrap fee program sponsor.

If The Waterford Group refers a client to certain *Independent Manager(s)* where The Waterford Group's compensation is included in the advisory fee charged by such *Independent Manager(s)* and the client engages those *Independent Manager(s)*, The Waterford Group shall be compensated for its services by receipt of a fee to be paid directly by the *Independent Manager(s)* to The Waterford Group in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, and any corresponding state securities laws, rules, regulations, or requirements. Any such fee shall be paid solely from the *Independent Manager(s)* investment management fee or the program fee of the wrap fee program (as appropriate), and shall not result in any additional charge to the client.

### **Management Through Similarly Managed Accounts**

---

For certain clients, The Waterford Group may manage client portfolios by allocating portfolio assets among various securities on a discretionary basis using one or more of its proprietary investment strategies

(collectively referred to as “*investment strategy*”). In so doing, The Waterford Group shall buy, sell, exchange and/or transfer securities based upon the *investment strategy*.

The Waterford Group’s management using the *investment strategy* has been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the following features have been specifically included in The Waterford Group’s management using the *investment strategy*:

1. **Initial Interview** – an initial interview is conducted with each client to determine the client’s financial circumstances, goals, acceptable levels of risk, any reasonable restrictions on the management of their account, and other relevant circumstances;
2. **Individual Treatment** – the client’s account is managed on the basis of the client’s financial circumstances and investment objectives;
3. **Consultation** – an *Advisory Affiliate* of The Waterford Group knowledgeable about the client’s account shall be reasonably available to consult with the client relative to the status and management of their account;
4. **Notice of Transactions** – the client shall receive notice of all transactions in their account as if they had maintained a similar account outside of the investment strategy;
5. **Quarterly Statement** – the client shall be provided with a quarterly statement containing a description of all activity in the their account;
6. **Ability to Impose Restrictions** – the client shall have the ability to impose reasonable restrictions on the management of their account, including the ability to instruct The Waterford Group not to purchase certain securities or types of securities;
7. **No Pooling** – the client’s beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the client’s account;
8. **Separate Account** – a separate account is maintained for the client with the custodian; and
9. **Ownership** - each client retains indicia of ownership of the account (e.g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

In addition to the foregoing, clients may, in writing, place reasonable limitations upon The Waterford Group’s discretionary authority. The *investment strategy* may involve an above-average portfolio turnover that could negatively impact upon the net after-tax gain experienced by an individual client. Securities in the *investment strategy* are usually exchanged and/or transferred without regard to a client’s individual tax ramifications. Certain investment opportunities that become available to The Waterford Group’s clients may be limited. For example, various mutual funds may limit the ability of The Waterford Group to buy, sell, exchange or transfer securities consistent with its *investment strategy*. As further discussed in response to Item 12B (below), in order to meet its fiduciary duties to all of its clients, The Waterford Group

will endeavor to allocate investment opportunities among its clients on a fair and equitable basis. Participation in The Waterford Group's *investment strategy* carries additional risk to clients in that a mutual fund or insurance company may unilaterally restrict and/or prohibit The Waterford Group's trading activities thus prohibiting it from managing the assets consistent with the *investment strategy*.

#### **Additions and Withdrawals to Accounts**

---

Clients may make additions to and withdrawals from their account at any time, subject to The Waterford Group's right to terminate an account. Clients may withdraw account assets on notice to The Waterford Group, subject to the usual and customary securities settlement procedures. However, The Waterford Group designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives.

The Waterford Group has \$627,426,110 under discretionary asset under management and \$13,494,000 under non-discretionary asset under management as of December 2022.

### **Item 5. Fees and Compensation**

The Waterford Group, depending upon the engagement, offers its services on a fee basis based upon assets under management.

#### **Investment Management**

---

In the event the client determines to engage The Waterford Group to provide investment management services, The Waterford Group shall do so on a fee basis. If engaged, The Waterford Group shall charge an annual fee based upon a percentage of the market value of the assets being managed by The Waterford Group. The Waterford Group's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. However, The Waterford Group shall not receive any portion of these commissions, fees, and costs. The Waterford Group's annual fee shall be prorated and charged quarterly or monthly, in advance or arrears, based upon the market value of the assets being managed by The Waterford Group. The annual fee shall vary (between 0.05% and 1.00%) depending upon the market value of the assets under management and the type of investment management services to be rendered.

The Waterford Group, in its sole discretion, may negotiate to waive its stated account minimum (as discussed below) or charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

### **Fees Charged by Financial Institution**

---

As further discussed in response to Item 12 (below), The Waterford Group shall generally recommend that clients utilize the brokerage and clearing services of Fidelity Institutional Wealth Services ("*Fidelity*") and/or Charles Schwab & Co., Inc. ("*Schwab*") for investment management accounts.

The Waterford Group may only implement its investment management recommendations after the client has arranged for and furnished The Waterford Group with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions shall include, but are not limited to, *Fidelity*, *Schwab*, any other broker-dealer recommended by The Waterford Group, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institution(s)*").

Clients may incur certain charges imposed by the *Financial Institution(s)* and other third parties such as fees charged by *Independent Managers* (as defined below), custodial fees, charges imposed directly by a mutual fund or exchange traded fund in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to The Waterford Group's fee.

The Waterford Group's *Agreement* and/or the separate agreement with the *Financial Institution(s)* may authorize The Waterford Group through the *Financial Institution(s)* to debit the client's account for the amount of The Waterford Group's fee and to directly remit that management fee to The Waterford Group in accordance with applicable custody rules. The *Financial Institution(s)* recommended by The Waterford Group have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to The Waterford Group.

### **Fees for Management During Partial Quarters of Service**

---

For the initial period of investment management services, the first period's fees shall be calculated on a *pro rata* basis. The *Agreement* between The Waterford Group and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. The Waterford Group's annual fee shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the client, as appropriate, in a timely manner.



Additions may be in cash or securities provided that The Waterford Group reserves the right to liquidate any transferred securities, or decline to accept particular securities into a client's account. The Waterford Group may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter that exceed \$50,000, the fee payable with respect to such assets will be prorated based on the number of days remaining in the quarter.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

The Waterford Group does not provide any services for performance based fees. Performance based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7. Types of Clients**

The Waterford Group provides its services to individuals, pension, 401(k), 457, profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### **Minimum Account Size**

---

As a condition for starting and maintaining a relationship, The Waterford Group shall generally impose a minimum portfolio size of \$1,000,000. The Waterford Group, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities. The Waterford Group shall only accept clients with less than the minimum portfolio size if, in the sole opinion of The Waterford Group, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. The Waterford Group may aggregate the portfolios of family members to meet the minimum portfolio size.

Additionally, certain *Independent Manager(s)* may impose more restrictive account requirements and varying billing practices than The Waterford Group. In such instances, The Waterford Group may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Manager(s)* or wrap fee program sponsor.

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

The Waterford Group tailors its investment recommendations to each client's situation. The Waterford Group's primary method of analysis is fundamental.

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

The Waterford Group's investment process further utilizes a proprietary scoring system when evaluating *Independent Manager(s)*, mutual funds, and exchange traded funds. The Waterford Group looks not only at the prior track record, but the stability of the organization, performance relative to peers, risk adjusted returns, expense ratios, style consistency, and the underlying composition.

### **Mutual Funds and Exchange Traded Funds (ETFs)**

---

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual funds and ETFs are subject to secondary market trading risks. Shares of the mutual fund or ETF will be listed for trading on an exchange, however, there can be no guarantee that an active trading market for such shares will develop or continue. There can be no guarantee that a mutual fund's and/or ETF's exchange listing or ability to trade its shares will continue or remain unchanged. Shares of the mutual fund and/or ETF may trade on an exchange at prices at, above or below their most recent net asset valuation (NAV), which is the price that an investor would buy or sell the mutual fund or ETF at. The per share NAV of a mutual fund and ETF is calculated at the end of each business day, and fluctuates with changes in the market value of the holdings within the mutual fund or ETF. The trading prices of a mutual fund's or ETF's shares may differ significantly from NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's or ETF's shares trading at a premium or discount to NAV.

### **Use of Independent Manager(s)**

---

The Waterford Group may recommend the use of *Independent Manager(s)* for certain clients. The Waterford Group will continue to do ongoing due diligence of such managers, but the such recommendations relies, to a great extent, on the *Independent Manager(s)* ability to successfully implement their investment strategy. In addition, The Waterford Group does not have the ability to supervise the *Independent Manager(s)* on a day-to-day basis, if at all.

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

## Item 9. Disciplinary Information

The Waterford Group is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. The Waterford Group does not have any required disclosures to this Item.

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

The Waterford Group is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. The Waterford Group was acquired by The Alera Group on 4/1/2021.

## **Item 11. Code of Ethics**

The Waterford Group and persons associated with The Waterford Group ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with The Waterford Group's policies and procedures. However, the Associated Persons of The Waterford Group generally do not own the same securities as clients. The Waterford Group has adopted a Code of Ethics that addresses this issue as well as the use of non-public information.

The Waterford Group has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Advisers Act, its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by The Waterford Group or any of its associated persons. The *Code of Ethics* also requires that certain of The Waterford Group's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in The Waterford Group's *Code of Ethics*, none of The Waterford Group's *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of The Waterford Group's clients.

When The Waterford Group is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when The Waterford Group is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact The Waterford Group to request a copy of its *Code of Ethics*.

## **Item 12. Brokerage Practices**

As discussed above, in Item 5, The Waterford Group shall generally recommend that clients utilize the brokerage and clearing services of *Fidelity* and *Schwab*.

Factors which The Waterford Group considers in recommending *Fidelity*, *Schwab*, or any other broker-dealer, to clients include their respective financial strength, reputation, execution, pricing, research, and service. *Fidelity* and *Schwab* enable The Waterford Group to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Fidelity* and/or *Schwab* may be higher or lower than those charged by other broker-dealers.

The commissions paid by The Waterford Group's clients shall comply with The Waterford Group's duty to obtain "best execution." However, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where The Waterford Group determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while The Waterford Group will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

If the client requests The Waterford Group to arrange for the execution of securities brokerage transactions for the client's account, The Waterford Group shall direct such transactions through broker-dealers that The Waterford Group reasonably believes will provide best execution. The Waterford Group shall periodically and systematically review its policies and procedures regarding recommending broker-dealers to its client in light of its duty to obtain best execution.

The client may direct The Waterford Group in writing to use a particular broker-dealer to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and The Waterford Group will not seek better execution services or prices from other broker-dealers or be able to "batch" client transactions for execution through other broker-dealers with orders for other accounts managed by The Waterford Group (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, The Waterford Group may decline a client's request to direct brokerage if, in The Waterford Group's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless The Waterford Group decides to purchase or sell the same securities for several clients at approximately the same time. The Waterford Group may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate

more favorable commission rates, or to allocate equitably among The Waterford Group's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among The Waterford Group's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that The Waterford Group determines to aggregate client orders for the purchase or sale of securities, including securities in which The Waterford Group's *Advisory Affiliate(s)* may invest, The Waterford Group shall generally do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. The Waterford Group shall not receive any additional compensation or remuneration as a result of the aggregation. In the event that The Waterford Group determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, The Waterford Group may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

#### **Software and Support Provided by Financial Institutions**

---

As further described in Item 14, The Waterford Group may receive from *Fidelity* and *Schwab*, without cost to The Waterford Group, computer software and related systems support, which allow The Waterford Group to better monitor client accounts maintained at *Fidelity* and *Schwab*. The Waterford Group may receive the software and related support without cost because The Waterford Group renders investment management services to clients that maintain assets at *Fidelity* and *Schwab*. The software and related systems support may benefit The Waterford Group, but not its clients directly. In fulfilling its duties to its clients, The Waterford Group endeavors at all times to put the interests of its clients first. Clients should be aware, however, that The Waterford Group's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence The Waterford Group's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, The Waterford Group may receive the following benefits from *Fidelity* through the Fidelity Registered Investment Advisor Group and *Schwab* through its Schwab Institutional division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its respective registered investment advisor group participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client

accounts; and access to an electronic communication network for client order entry and account information.

### **Item 13. Review of Accounts**

For those clients to whom The Waterford Group provides investment management services, The Waterford Group monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by one of The Waterford Group's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with The Waterford Group and to keep The Waterford Group informed of any changes thereto. The Waterford Group shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Upon request from the client, The Waterford Group may provide its investment advisory clients with a report that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance. Clients should compare the account statements they receive from their custodian with those they receive from The Waterford Group.

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

The Waterford Group is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, The Waterford Group is required to disclose any direct or indirect compensation that it provides for client referrals.

Charles Schwab & Co., Inc. Advisor Services provides The Waterford Group with access to Charles Schwab & Co., Inc. Advisor Services' institutional trading and custody services, which are typically not available to Charles Schwab & Co., Inc. Advisor Services retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Charles Schwab & Co., Inc. Advisor Services. Charles Schwab & Co., Inc. Advisor Services includes brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For The Waterford Group client accounts maintained in its custody, Charles Schwab & Co., Inc. Advisor Services generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Charles Schwab & Co., Inc. Advisor Services or that settle into Charles Schwab & Co., Inc. Advisor Services accounts.

Charles Schwab & Co., Inc. Advisor Services also makes available to The Waterford Group other products and services that benefit The Waterford Group but may not benefit its clients' accounts. These benefits may include national, regional or The Waterford Group specific educational events organized and/or sponsored

by Charles Schwab & Co., Inc. Advisor Services. Other potential benefits may include occasional business entertainment of personnel of The Waterford Group by Charles Schwab & Co., Inc. Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist The Waterford Group in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts, if applicable), provide research, pricing information and other market data, facilitate payment of The Waterford Group's fees from its clients' accounts (if applicable), and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of The Waterford Group's accounts. Charles Schwab & Co., Inc. Advisor Services also makes available to The Waterford Group other services intended to help The Waterford Group manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, and human capital consultants, insurance and marketing. In addition, Charles Schwab & Co., Inc. Advisor Services may make available, arrange and/or pay vendors for these types of services rendered to The Waterford Group by independent third parties. Charles Schwab & Co., Inc. Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to The Waterford Group. The Waterford Group is independently owned and operated and not affiliated with Charles Schwab & Co., Inc. Advisor Services.

If a client is introduced to The Waterford Group by either an unaffiliated or an affiliated solicitor, The Waterford Group may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-1 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee shall be paid solely from The Waterford Group's investment management fee, and shall not result in any additional charge to the client. Any affiliated solicitor of The Waterford Group shall disclose the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of The Waterford Group's written disclosure statement at the time of the solicitation.

## Item 15. Custody

As discussed above, The Waterford Group's *Agreement* and/or the separate agreement with the *Financial Institution(s)* may authorize The Waterford Group through the *Financial Institution(s)* to debit the client's account for the amount of The Waterford Group's fee and to directly remit that management fee to The Waterford Group in accordance with applicable custody rules. The *Financial Institution(s)* recommended by The Waterford Group have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to The Waterford Group. In addition, as discussed in Item 13, The Waterford Group also sends periodic supplemental reports to clients upon request. Clients should carefully review the statements sent directly by the Financial Institution(s) and compare them to those received from The Waterford Group.

Custody is also disclosed in Form ADV because The Waterford Group has authority to transfer money from client account(s), which constitutes a standing letter of authorization (SLOA). Accordingly, The Waterford Group will follow the safeguards specified by the SEC rather than undergo an annual audit.

## Item 16. Investment Discretion

The Waterford Group is given the authority to exercise discretion on behalf of clients. The Waterford Group is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. The Waterford Group is given this authority through a power-of-attorney included in the agreement between The Waterford Group and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). The Waterford Group takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made;
- The *Independent Manager(s)* to be hired or fired.

## Item 17. Voting Client Securities

The Waterford Group may vote client securities (proxies) on behalf of its clients. When The Waterford Group accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully- described in The Waterford Group's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in The Waterford Group's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. At any time, clients may contact The Waterford Group to request information about how Registrant voted proxies for that client's securities or to get a copy of The Waterford Group's Proxy Voting



Policies and Procedures. A brief summary of The Waterford Group's Proxy Voting Policies and Procedures is as follows:

- The Waterford Group has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to The Waterford Group's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are to be followed as a general policy, certain issues will be considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, The Waterford Group shall devote an appropriate amount of time and resources to monitor these changes.
- Where The Waterford Group is responsible for voting proxies on behalf of a client, clients cannot direct The Waterford Group's vote on a particular solicitation. The Waterford Group's authority to vote proxies can, however, be revoked.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that The Waterford Group maintains with persons having an interest in the outcome of certain votes, The Waterford Group will take appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

## **Item 18. Financial Information**

The Waterford Group does not require or solicit the prepayment of more than \$1,200 in fees, six months or more in advance. In addition, The Waterford Group is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. The Waterford Group has no disclosures pursuant to this Item.