Form ADV, Part 2

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This brochure provides information about the qualifications and business practices of Waterford Financial Management, LLC ("Waterford"). If you have any questions about the contents of this brochure, please contact us at 810-354-2055 or waterfordfinancial@yahoo.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Waterford is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes

There haven’t been any material updates since the last update in February 2019.

Item 3 Table of Contents

Item 4 Advisory Business

Waterford is a full service, fiduciary, investment management and financial planning firm. Waterford began operations in February 2007 and is solely owned by Jonathan Phelan. Waterford is a completely independent registered investment adviser with no brokerage industry affiliations.

1.) Investment Management

Waterford's primary business consists of providing on-going investment supervision and management to client portfolios on a fiduciary basis. Most investment management service relationships begin with the client going through the financial planning process, described in the next section. This allows Waterford to gain a thorough understanding of the client's personal financial situation. Investment management clients are encouraged, but not required, to go through the financial planning process. As part of the investment management process, Waterford will create an investment policy statement ("IPS") for each client. This document will guide Waterford in building an investment portfolio based upon the client's risk and return objectives.

Waterford will generally classify the client with a risk rating of 1 through 5, with 1 being the lowest risk. The client risk ratings correspond to five standardized portfolios created by Waterford with each client assigned to the portfolio that corresponds to their risk rating. Waterford intends to expose the portfolio to as many as 12 asset classes including the following:

- Domestic Stock
- Foreign Developed Stock
- Foreign Emerging Market Stock
- Real Estate Investment Trusts
- Commodities
- Convertible Bond
- High Yield Bond
- Foreign Emerging Market Bond
- Foreign Developed Bond
- Domestic Investment Grade Bond
- U.S. Treasury Inflation-Protected Securities
- Money Market / Cash

Portfolio selection for each client will be dependent upon a variety of factors including; client asset base, risk tolerance, return requirements, income demands, and market conditions. Each standardized portfolio's long-term "strategic" asset allocation is updated quite infrequently because it is meant to be an average allocation over many years. Risk is measured by standard deviation based upon the previous 10 years of returns and correlations for each asset class. Lower risk portfolios generally have less exposure to stocks with Portfolio 1 typically allocating 0-15% to stocks. Portfolio 2 typically has 15-30% stocks. Portfolio 3 has 30-45% stocks. Portfolio 4 has 45-60% stocks. Portfolio 5 has 60-80% stocks. Short-term "tactical" asset allocations are specifically reviewed every month based upon an internal review of asset class valuations. Tactical allocations may be adjusted monthly in an attempt to take advantage of relatively small changes in investment valuations, while strategic allocations are only changed when there are fairly extreme mis-valuations based upon Waterford's research.

Client portfolios will be comprised primarily of no-load open-end, closed-end, and exchange traded mutual funds. Waterford will utilize both actively managed funds and passive index funds. In addition, Waterford may chose to invest the client's portfolio in individual debt and equity securities in order to get more specific investment exposure, better control taxes, and avoid mutual fund fees. However, client portfolios with less than $25,000 allocated to domestic stocks will usually own only funds and not individual stocks. Waterford believes in building exposure to the stock market gradually over time to avoid the risks associated with jumping in and out of the market with large portions of a client's portfolio at once. As a result, it may take Waterford as much as a year or more to build a portfolio for a client who has a large lump sum to be invested.

Although most client risk and return requirements will result in the use of one of Waterford's five standardized portfolios, Waterford and the client may decide that a more customized portfolio is appropriate. Such deviation may include a different asset allocation than used in one of the standardized portfolios or may use the same asset allocation but different securities than what Waterford typically uses. For example, a client's 401k plan with a limited offering of investments could necessitate that Waterford use a different asset allocation or fund than the standardized portfolio would use. Another example would be the use of tax-free municipal bond funds in the taxable accounts of high income clients. Clients can also impose any restrictions they wish upon Waterford as it relates to investing in particular securities or types of securities. For example, a client may instruct Waterford not to sell a particular security or not to buy so-called "sin" stocks. Another possible reason for deviating from a standardized portfolio is if the client wanted higher income from their portfolio than what is typical in a standardized portfolio. Although Waterford uses standardized portfolios as a guide for individual portfolios, no two client portfolios are exactly the same. In practice, there will always be at least fractional differences in weightings to the various asset allocations and securities between portfolios.

Once the portfolio is constructed, Waterford will continually monitor the market for changes at the asset class and investment levels to determine whether corresponding changes are necessary in client portfolios. Waterford is also continuously monitoring macro (worldwide) economic events that may have an impact on specific asset classes and investments. In addition, each client portfolio is reviewed at least quarterly to determine if rebalancing is necessary. Such review will include a measurement of a portfolio's deviation from the desired tactical asset allocation and a review of Waterford's recent internal notes regarding the particular client. On an on-going basis, Waterford will monitor client cash balances to ensure any new cash deposits are invested properly and the appropriate level of cash is available for withdrawal based on each client's pre-determined needs. Waterford will stay in contact with clients via e-mail, telephone, and in-person meetings as deemed necessary by client and Waterford. Investment management contracts will be indefinite and can be cancelled at any time upon written notice by the client or Waterford. Waterford generally requires at least $100,000 in assets to provide investment management services; however, exceptions will be made at Waterford's discretion.

2.) Financial Planning

Financial planning will be provided to the extent necessary or requested by the client at the onset of each investment management client relationship. Financial planning can be provided on a stand-alone basis as a one-time service. The planning process will result in a financial plan summarizing the client's financial situation at that particular point in time and may include limited advice with regard to insurance, estate, and tax issues. Although Waterford may provide advice in these areas, the client is encouraged to follow-up with the appropriate professionals when implementing these products or services. Other areas may be addressed as requested by the client or deemed necessary by Waterford.

Financial planning services are composed of three parts.

1.) General Financial Planning

General financial planning will summarize the client's current financial situation including net worth, savings rates, goals, projections, insurance needs, and estate planning based upon information collected in a questionnaire and discussions with the client. Once the financial plan has been created it will be presented to the client along with an explanation of the client's current financial trends as well as any recommendations for adjustments necessary to meet the client's goals. No specific investment or financial product recommendations will be made with this level of service. At this point the General Financial Planning service is concluded and Waterford has no further on-going responsibility to provide financial planning services. Client can choose whether to engage Waterford for Investment Allocation Services described below.

2.) Investment Allocation Service

Waterford will evaluate the client's current investment portfolio and planned contributions or withdrawals from the portfolio. Waterford will use this information along with a discussion of the client's risk tolerance to draft an IPS. This IPS will be used to create a new investment allocation with recommendations for the client's current portfolio as well as planned future contributions/savings. Once these recommendations have been presented to Client, the Investment Allocation Service is concluded and Waterford has no further on-going responsibility to provide investment recommendations. The client can take these recommendations and implement them on their own or chose to continue with Waterford for assistance with implementation.

3.) Implementation

Clients have the opportunity to engage Waterford to assist them in implementing any investment recommendations made by Waterford. This may include setting up investment accounts, making initial trades in the accounts, and setting up automatic periodic investments or withdrawals to/from specific accounts. The initial trades would be any purchases or sales of securities required to establish the portfolio recommended by Waterford. Once the recommended portfolio has been implemented, this service is complete with no further on-going responsibility of Waterford.

As mentioned above, financial planning will also be offered to clients that contract with Waterford for ongoing investment management services. In this circumstance, the client will not pay any fee in addition to their ongoing asset-based fee for investment management.

It should be noted that the financial planning service for non-investment management clients is a one-time service with no on-going responsibility of Waterford to oversee any financial matters of a financial planning client once the planning relationship is complete.

Consulting

Waterford may from time to time engage in personal financial, pension, or general business consulting. Such services will be provided pursuant to contracts created specifically for the project or as an additional service within a financial planning agreement. Fees will be negotiated by Waterford and the client and may be on an hourly or per project basis. Such services are not considered on-going or continuous and regular investment advisory services. Furthermore, Waterford may provide basic tax preparation services for individuals with fairly simple tax returns. Fees for such services will be provided on a per project basis.

Assets Under Management

As of December 31, 2019, Waterford had 29 investment management client relationships with discretionary assets under management of $23,235,326. Waterford has no non-discretionary assets under management.

Item 5 Fees and Compensation

Investment Management Fee Schedule

Waterford will be compensated by each client quarterly based on a percentage of the client’s assets under Waterford’s management. In certain circumstances Waterford may negotiate a fixed annual fee for a client. In addition, fees are negotiable and may be higher or lower than indicated in the table below. Asset-based fees are calculated using the market value of a client’s portfolio on the last business day of each calendar quarter and billed in the following month. Billing will be done in arrears (i.e., clients will pay for services after they are performed).

Standard Fee Schedule

Account Balance	Fee
First $100,000 …………….......……..…	1.0%
$100,001 to $200,000…………................	0.8%
$200,001 to $300,000………...........……	0.6%
$300,001 to $400,000………...........……	0.4%
All assets above $400,000..................……	0.2%

The fee is calculated by multiplying the amount of assets at each tier at the end of the quarter by the corresponding fee percentage for that tier. For example, a client with $250,000 in assets at the end of a quarter would be calculated as follows:

First $100,000 x 1.0% = $1,000
Next $100,000 x 0.8% = 800
Next $50,000 x 0.6% = 300

Quarterly Fee $2100 / 4 = $525

Financial Planning Fee

Waterford's standard financial planning fee is $50 per hour. However, in certain circumstances fees may be negotiated higher or lower than this stated hourly rate.

All clients are sent a specific invoice for any fees billed. Clients can opt to have their fees taken directly from their custodial accounts or can chose to pay separately by check. In addition to Waterford’s fees, clients may incur transaction costs in their brokerage/custodial accounts as well as fund expenses built into any mutual funds purchased. Please refer to Item 12 for a further discussion of brokerage and mutual fund fees and expenses.

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

Waterford does not currently charge performance-based fees to any of its clients.

Item 7 Types of Clients

The vast majority of Waterford’s clients are private individuals with tax-qualified retirement accounts as well as fully taxable accounts. Waterford also has trust clients and provides consulting services on occasion to companies with defined-contribution plans. In general, the minimum account size for investment management services is $100,000. However, exceptions have been made by Waterford based upon specific client circumstances.

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

A detailed description of Waterford’s portfolio management strategies is discussed in Item 4 above. As explained in Item 4, each portfolio has a different level of risk and expected return. It is expected that over a long time horizon a diversified portfolio with higher risk characteristics will provide better investment performance than a lower risk portfolio. However, it should do so with more volatility. The opposite is true as well. A lower risk portfolio should under-perform a high risk portfolio over the long term but should have less volatility, which is what makes it lower risk. Regardless of the portfolio composition created by Waterford, all investment securities have the risk of loss. Certain securities, such as stocks, have a higher probability of loss than other securities such as US Treasury bonds. However, they all fluctuate in value from day-to-day and any of them can possibly lose all of their value. Waterford uses modern portfolio theory to build diversified portfolios in an attempt to have long term returns correspond to the level of risk/volatility for the portfolios. However, there can be no assurance that the relationships between risk and return for each asset class that has occurred in the past will hold into the future. There can also be no assurance that the correlations between asset classes will be the same in the future as they have been in the past, which is a primary tenant of modern portfolio theory.

Waterford's primary method of analysis for purchasing any security is based upon its intrinsic valuation in relation to the current price of the security. For individual stock investments Waterford reads the company's quarterly earnings report and notes changes in growth rates for sales, expenses, earnings, cash flow, and net cash (cash minus debt). Waterford then creates a discounted cash flow for the stock to determine what Waterford believes to be the intrinsic value of the stock. This value is compared to the current market price to determine whether the stock is cheap or expensive. However, this is not the only factor used to determine whether a stock should be purchased. Waterford analyzes the firm's balance sheet in an attempt to determine if the company is well prepared for economic downturns as well as to try to ascertain the quality of its earnings. In other words, does it appear that the company is using accounting tricks to improve its financial results? However, we believe the most important inputs for stock analysis are qualitative judgments about the firm's business prospects. Items such as management integrity, company ethics, firm and industry trends/popularity, and macro events such as wars, credit crises, and natural disasters, cannot be easily quantified and, therefore, must be estimated qualitatively based on Waterford personnel's business intuition and common sense.

Waterford primarily uses index mutual funds to get stock exposure in the portfolios. Index funds tend to have very low expenses, broad diversification within their targeted investment area, and have historically performed better than most actively managed stock funds. Waterford always uses funds for foreign stock exposure. Waterford uses both funds and individual stocks for domestic (U.S.) stock exposure.

Waterford uses mutual funds for exposure to debt securities (bonds) and, therefore, does not analyze business risk for bonds but instead reviews a fund's diversification, average credit rating, current yield, and duration. Bond yields and values correspond primarily to two factors, the probability of default (also known as credit risk) and duration (which is a form of risk measurement based on bond cash flows and time to maturity). The higher the probability of default for a portfolio of bonds, the higher the yield should be to compensate the investor for taking on that risk. For example, a high-yield (junk) bond fund is full of bonds issued by companies that are not in the strongest financial condition, as a result, some of the bonds will default and lose most of their value. However, the bonds that do not default will return the principal and a higher level of interest than a higher quality bond, thereby helping to offset the loss from the defaulted bonds in the portfolio. This results in a portfolio with a higher interest rate yield but a market value that is more volatile than a high quality bond fund. Duration works in a similar fashion, except that it is based on how long the investor has to wait to get their principal and interest payments. The longer you have to wait, the higher the probability that something will cause the company to be unable to make payments or that interest rates will rise causing your investment to be worth less in relation to newer, higher yielding bond investments. As a result, all things equal, a bond with a longer time to maturity will have a higher yield than a bond with a shorter time to maturity in order to compensate for the risk of tying up your investment for a longer period of time. This is the same rationale for 15 year mortgage rates being lower than 30 year rates or a 5 year certificate of deposit paying more than a 1 year.

The third asset class used in Waterford's portfolio management strategy is "alternatives." Alternatives are basically anything that would not generally be considered a standard stock or bond. Waterford may use the following assets in its alternatives allocation: Treasury Inflation Protected Securities (TIPS), real estate investment trusts (REITs), convertibles, and commodities.

TIPS are U.S. Treasury bonds that pay a fixed interest rate with the principal value of the fund increased each year with inflation. REITs are companies that only own real estate and are required to distribute 90% of their income each year to shareholders in order to qualify for an exemption from corporate income taxes. Convertibles are either preferred stocks or bonds that are convertible into common stock if the common stock reaches a specified price. They can have features of either bonds or stocks depending on the price of the underlying common stock. Commodities are generally natural resources such as energy, precious metals, livestock, and agricultural products. It is very difficult to buy commodities directly so most commodity mutual funds purchase futures contracts on the specific commodities and renew those contracts prior to expiration.

Item 9 Disciplinary Information

Waterford has no disciplinary history.

Item 10 Other Financial Industry Activities and Affiliations

Waterford has no other financial industry activities or affiliations.

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

Code of Ethics

To address general standards of business conduct required of all employees, Waterford has adopted the CFA Institute's *Code of Ethics and Standards of Professional Conduct* ("CFA Code") as its code of ethics. As a result, all employees must maintain compliance with the CFA Code as well as Waterford's reporting requirements included below. In addition to the CFA Code, all employees must maintain compliance with all applicable state and federal securities laws. All employees will be provided with this code of ethics within 10 days of commencement of employment with Waterford. Each employee will provide Waterford with a written acknowledgement of receipt of this code. In addition, all CFA charterholders are required to sign a written acknowledgement to the CFA Institute of their receipt and understanding of the CFA Code on an annual basis as required by the CFA Institute to maintain good standing. The CFA Code is available at the following URL, http://www.cfainstitute.org/centre/ethics/code/pdf/english_code.pdf.

Personal Trading By Waterford Employees

Waterford's employees may invest in the same securities it recommends or purchases for clients. Waterford attempts to mitigate the associated risks by instituting the following policies for trading in securities by employees. Employees are required to request authorization for all personal trading in individual equities, private placements, derivatives, and exchange traded funds ("Covered Securities") from Waterford's CCO prior to initiating any such transaction. The CCO will be responsible for recording and maintaining this request and authorization. Employees must provide the CCO with a copy of any account statements in which Covered Securities transactions take place. These statements must be submitted within **30 days** of the end of the calendar quarter in which any transactions took place. In addition, employees must provide the CCO with a list of their Covered Securities holdings within **10 days** of becoming an employee and within **30 days** of the end of every calendar year. Such holdings reports may not be more than 30 days old at the time of submission and must include the name, type, and ticker symbol of the security; the number of shares held; the principal amount of such holdings; and the bank or broker at which the security is held. Furthermore, all quarterly account statements and Covered Securities holdings reports must be dated at the time they are submitted as documentary evidence of their timeliness.

The CCO will review all reported transactions for consistency with the employee's pre-trade authorization requests to ensure that all transactions were authorized. In addition, all transactions and holdings reports will be compared to client trades in an attempt to determine if any employees traded in a way that may have been to the detriment of a client. The CCO will initial and date the employee statements to document the review. As Waterford has only one employee at this time, these reporting requirements will only be initiated once a second employee is added.

In general, an employee will be deemed to be in compliance with the personal trading policies if s/he does not trade immediately in advance of a client trade in the same direction (both buy or both sell) or immediately after a client in the opposite direction (sell/buy or buy/sell). In addition, employees are not allowed to short any securities in which Waterford holds a long position in a client account. Should an employee violate these provisions, the CCO will determine the impact the employee's trade had on the employee and the client(s) by looking at the market for the security at the time of the trades. Penalties for such violations will vary depending on the severity of the violation and could range from censure to dismissal and reporting of the conduct to the appropriate authorities, including the CFA Institute in the case of CFA charterholders. Furthermore, any employee who becomes aware of a violation of this code of ethics or personal trading policies must report such violation to the CCO, or other manager should the CCO be the violator, immediately or become subject to some form of penalty as well.

Item 12 Brokerage Practices

Investment and Brokerage Discretion

Waterford intends to provide, with few exceptions, discretionary management to clients in the investment management program. Discretionary management will allow Waterford to conduct security transactions in clients' accounts without obtaining authorization from the client prior to executing the transactions. Waterford will have sole responsibility for determining the type and amount of each security to be bought or sold in a client account. Clients always have the ability to access their own account and make their own trades but Waterford asks that clients discuss any such transactions with Waterford before executing them to prevent conflicts within the account. Although Waterford will have discretionary trading authority with respect to client accounts, it will not have any ability to access client assets for purposes of transferring or withdrawing with the following exceptions:

- Waterford may be able to transfer money between accounts of a client if a client has multiple accounts.

- Waterford may, with prior written client authorization, request that quarterly advisory fees be deducted directly from a client's account and deposited into Waterford's account. As a result, it is of the utmost importance that clients review their quarterly fee billings for errors and reconcile those billings with the account statements clients receive from their broker/custodian. Any error should be reported to Waterford immediately so it can be rectified.

Waterford will not have discretion to select the broker used or commission paid on security transactions. However, Waterford will recommend that clients use a particular broker/dealer to act as broker for executing trades and custodian for holding client securities. Clients should be aware that limiting themselves to using a single broker to both execute trades and take custody of their holdings may result in the clients not receiving "best execution" on trades. "Best execution" is the concept of a trade being executed at the best available price across all markets while taking into account qualitative factors of the transaction such as speed, accuracy, and market impact. Furthermore, using a broker/dealer to act as broker and custodian will virtually always result in a commission charged on an equity transaction even if the transaction involves an "over-the-counter" security with a mark-up already built into the execution price. As a result, the broker may essentially receive two fees for executing the trade, a commission for acting as broker and a mark-up (buy) or mark-down (sell) for acting as a dealer in that security. Please speak with an employee of Waterford if you would like a more detailed explanation of this topic.

Brokerage Recommendations

Waterford currently recommends that clients use E*Trade Financial as their broker and custodian for accounts that are unrestricted for purposes of selecting brokers or custodians. Waterford recommends E*Trade due to its zero commission policy, large offering of no-transaction fee mutual funds, quality of online interface, dedicated investment adviser customer service team, and transaction download capability between E*Trade and Waterford's Advent Axys portfolio management software. Waterford does not receive any financial benefit from E*Trade for recommending that clients use E*Trade and Waterford's owner has most of his investment accounts at E*Trade as well. Although Waterford recommends that clients use E*Trade, they are not required to do so. However, using a different broker may cause the client to get better or worse execution of trades, commissions, or fees. Furthermore, clients who choose to use another broker will not be able to have their trades aggregated together with other Waterford clients when doing so may provide a better execution of the trade for the E*Trade clients.

Fund Expenses

With respect to commissions and transaction fees, clients will be subject to any commissions and fees charged by their broker and custodian in addition to fees paid to Waterford. Waterford does not control or benefit from any of the commissions or fees charged by brokers or custodians. Furthermore, any fees charged by mutual funds for operating and distributing the funds are taken directly out of mutual fund assets by the fund's management and are in addition to any fees paid by clients to Waterford. For example, if you have $300,000 managed by Waterford at an average fee level of .80% and that money is invested in mutual funds with a weighted average expense ratio of 0.40%, your total asset-based fee will be 1.20% per year. Waterford attempts to minimize the impact of this "layering of fees" by focusing on low cost index funds and offering reasonable fees for its investment management services. For more information regarding mutual fund expenses please read the fund's prospectus. The prospectus can be obtained via the fund company's website, your broker, or upon request from Waterford.

Trade Aggregation

When in the best interest of clients, Waterford may aggregate or combine multiple client orders for the same security into one larger transaction. This process is known as trade aggregation, bunching, or block trading. By doing this Waterford can ensure that all clients that utilize the same broker/custodian get the same price for that day by using an average price for all shares purchased. This can help to prevent one client from getting a better price than another client in the same security on the same day, thereby eliminating any appearance of favoritism among clients.

Before entering the aggregated order, Waterford will create an allocation statement that will serve as the mandatory order ticket for the transaction. The allocation statement will specify all clients to be included in the order and the amount of their investment. If the order is only partially completed, it will be allocated pro-rata based on the pre-order allocation. However, if such pro-rata allocation results in very small individual allocations (commissions > 1% of trade), those clients will be removed from the trade. Standard commission rates for aggregated trades apply to each client involved in the trade.

For example, if Waterford wants to purchase 100 shares of an exchange traded fund for 10 different clients, it may place one order for 1,000 shares of the fund and allocate the shares among the 10 clients at the weighted average execution price for all 1,000 shares. This will result in all clients involved in the transaction getting the same execution price.

Although Waterford is able to aggregate trades made in the same security on the same day for multiple clients, it will not always do so. Frequently, Waterford rebalances portfolios one at a time and, therefore, will make a trade at the time of rebalancing instead of waiting until all client accounts are ready to be rebalanced, which could take several days.

Privacy Policy

Waterford routinely collects personal information about its clients through the financial planning and investment management process. Such information may include, but is not limited to, your name, address, phone number, birth date, social security number, account numbers, income, debts, assets, and trading activity. Waterford considers such information strictly confidential and will not share or discuss this information with any party not previously authorized by the client. Furthermore, advice provided by Waterford to clients is also deemed confidential and will not be shared with outside parties. However, Waterford may be required to disclose such information as is necessary to conduct its advisory activities. For instance, Waterford may be required to confirm personal client information with broker/dealers when executing transactions on behalf of the client. Waterford may also be required to share client information with state or federal regulators as part of standard examination procedures. Clients are encouraged to review the privacy policies of their other financial service providers such as banks, brokers, and accountants. Waterford will also protect records, both paper-based and electronic, from unauthorized access through the use of passwords and firewalls for electronic records and locking file cabinets and restricted access for paper-based records. If clients have any questions regarding Waterford's privacy policies they are encouraged to contact Waterford's Managing Principal.

Item 13 Review of Accounts

Item 4 describes Waterford's process for reviewing investment management accounts. Waterford's Managing Principal, Jonathan Phelan, will be conducting all client account reviews and making all trade recommendations. Any trade recommendations made by the Managing Principal will be executed by either the Managing Principal or another Waterford employee. In addition to the periodic portfolio reviews, Waterford will review a client's entire financial situation upon request or whenever a material financial event occurs in the client's life, such as retirement, layoff, substantial increase in income, or change in marital status.

Waterford provides investment management clients with written internal account statements on a quarterly basis. These reports are separate from, and in addition to, the broker's monthly account statements. The client typically receives an account appraisal detailing all investment positions at the end of the quarter, a year-to-date performance report, and an asset allocation chart. These reports are generated from Waterford's portfolio management software. Furthermore, Waterford provides a written letter to each client with their quarterly reports. The first section of the letter includes information specific to the client with the remaining portion of the letter providing Waterford's general financial market commentary. The quarterly reporting process also includes a one page invoice to each client for advisory fees accrued during the quarter.

Item 14 Client Referrals and Other Compensation

Waterford does not compensate any person or business for client referrals.

Item 15 Custody

Waterford does not take custody of client funds. However, clients frequently permit Waterford to withdraw advisory fees directly from their custodial accounts. Waterford will not withdraw client funds to pay advisory fees until at least 7 days have passed since the invoice was mailed or hand delivered. Client should always compare Waterford's internal quarterly statements to their brokerage statements to ensure that both entities have the same investment holding information.

Item 16 Investment Discretion

Waterford only manages investments on a discretionary basis. However, clients can set virtually any restriction on Waterford's trading that they want. Such restrictions may include not purchasing certain types of investments, for example "sin stocks," or not selling certain investments in their accounts that Waterford did not initially purchase for them. Before accepting full discretionary trading authority for a client's account, Waterford and client sign Waterford's Investment Advisory Agreement, which states that Waterford will have discretionary trading authority, and a trading authorization form from the client's broker.

Item 17 Voting Client Securities

Waterford does not vote proxies on behalf of clients. Clients will receive proxy solicitations directly from their custodian. Clients are welcome to contact Waterford for assistance with voting their proxies.

Item 18 Financial Information

This item is not applicable.

Item 19 Requirements for State-Registered Advisers

Education and Business Standards

Waterford requires all advisory employees to have received a bachelor's degree in business or a designation that demonstrates knowledge in the financial services industry. Furthermore, all advisory staff will be required to study the material covered by the Certified Financial Planner designation program. Advisory staff will also be encouraged to pursue the Chartered Financial Analyst designation.

Education and Business Background

Jonathan Phelan, CFA, CFP, Managing Principal

EDUCATION:

March 2010 **CFP Board**
Certified Financial Planner™
Designation received February 2010

October 08 - June 09 **DePaul University**
Certificate Program in Financial Planning
Financial, insurance, and income tax planning classes

June 02 - June 04 **CFA Institute**
Chartered Financial Analyst
Charter Received September 2004

Sept. 95 - May 99 **Saginaw Valley State University**
Bachelors of Business Administration, Finance
Overall GPA: 3.95, Summa Cum Laude

Sept. 91 - May 95 **Marine City High School**
College Prepatory Program
Overall GPA: 4.0, Valedictorian

EXPERIENCE:

Feb. 07 - Current **Waterford Financial Management, LLC, Fair Haven, MI**
Managing Principal
- Investment management and financial planning services.

Jun. 06 - Current **Thompson-Phelan Group, Inc., Fair Haven, MI**
Director
- As a member of the board of directors, provide general business guidance and specialize in financial analysis and business valuation.

Aug. 05 - July 06 **Habitat for Humanity, Jacksonville, FL**
Americorps Construction Volunteer Leader
- Led volunteer groups in various residential construction tasks including door and window installation, siding, painting, and landscaping.

Jan. 00 - Aug. 05 **U.S. Securities & Exchange Commission, Chicago, IL**
Securities Compliance Examiner
- Conducted examinations of mutual funds, investment advisers, insurance products, and transfer agents for compliance with federal securities laws.

Mar. 98 - Dec. 99 **Hantz Group, Roseville, MI - Securities Brokerage, Insurance Agency**
- Processed commission checks and reviewed insurance applications.

The following is a description of the two professional designations mentioned above.

Chartered Financial Analyst

The CFA charter is a globally recognized, graduate-level investment credential. The program combines a broad-based curriculum of investment principals with professional conduct requirements. The CFA examination program focuses on the skills needed for a career in investment analysis including: accounting; economics; statistics; behavioral finance; capital markets; alternative and derivative investments; portfolio management; and ethics. Earning the CFA charter demonstrates a commitment to professional ethics and expertise with the broad range of skills needed for investment analysis and decision making in financial industry careers. The CFA charter requires: four years of qualified investment work experience; membership with the CFA Institute, based in Charlottesville, VA, as well as a local CFA society; pledging to adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct on an annual basis; and completion of the highly difficult, three level CFA examination program.

Certified Financial Planner™

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing financial planning subject areas and attain a Bachelor's Degree from a regionally accredited United States college or university. CFP Board's financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one's ability to correctly diagnose financial planning issues and apply one's knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board's Standards of Professional Conduct.

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

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

For comparison purposes, the CFA program is much more technical and quantitative, focusing on research and analysis, as compared to the CFP program, which is more focused on non-investment financial areas, particularly tax planning. The CFA is geared toward institutional investment careers, while the CFP is geared toward retail financial professionals dealing with individual private clients. The most prominent careers held by CFA charterholders are portfolio managers and research analysts, followed by CEOs. Successful completion of the CFA or CFP programs exempts an individual from the legally mandated Series 65 exam for competence in investments and personal finance. To learn more about the CFA charter, visit www.cfainstitute.org. To learn more about the CFP designation, visit www.cfp.net.