

## Customer Relationship Summary “Form CRS”

**Waterway Wealth Management** is registered with the Securities and Exchange Commission (SEC) as an investment adviser. Brokerage and investment advisory services and fees differ, and it is important for you to understand these differences. Free and simple tools are available to research firms and financial professionals at <https://www.investor.gov/CRS>, which also provides educational materials about broker-dealers, investment advisers, and investing.

### Relationships & Services:

#### What investment services and advice can you provide me?

We offer financial planning and investment advisory services to retail investors. Our financial planning services involve collecting pertinent information about your goals and objectives. This includes present and anticipated assets and liabilities, retirement goals, investment horizon, financial needs and cost of living needs. We use these to build a custom plan for you. Financial planning services do not involve the active management of accounts, but instead focuses on your overall financial situation.

For our investment advisory services, we offer investments in individual debt and equity securities, mutual funds, index funds, exchange-traded funds and options. If appropriate, we also offer access to private issues that invest in real estate and other hard assets. Our investment advisory services are offered on a discretionary and non-discretionary basis. When you grant us discretionary authority for investment management services, you provide us with the authority to determine the investments to buy or sell in your account on an ongoing basis. In its non-discretionary accounts, we do not have discretion with respect to any aspect of your assets, except to debit for fees and you make the ultimate decision regarding the purchase or sale of investments. We periodically reassess and continuously monitor your investments. Reviews are conducted at least quarterly and consist of written/electronic statements of your holdings based on our analysis of your investments, cash flows, and market activity. Additional reviews may be triggered by events such as a change in your risk tolerance, financial position or investment objective, change in a company or fund's management, unusual market or economic circumstances or other unforeseen events. We seek to meet with you in person at least annually, with the meeting covering both financial plan and investment management aspects.

We serve as a limited scope ERISA 3(21) fiduciary that can advise, help and assist plan sponsors with their investment decisions on a non-discretionary basis. Plans are monitored on an ongoing basis. The plan sponsor is still ultimately responsible for the decisions made in their plan, though using us can help the plan sponsor delegate liability by following a diligent process.

**Account Minimums and Other Requirements:** We prefer an initial minimum investment amount, generally aggregating all accounts belonging to a set of family members, of \$1,000,000. We reserve the right to waive or lower this minimum. You may place restrictions on our services or investments in writing.

**Additional Information:** Please see Form ADV, Part 2A Brochure (Items 4 and 7) at <https://adviserinfo.sec.gov/firm/brochure/164975>

***Conversation Starters: Given my financial situation, should I choose an investment advisory service? Why or why not? How will you choose investments to recommend to me? What is your relevant experience, including your licenses, education and other qualifications? What do these qualifications mean?***

### Fees, Costs, Conflicts & Standard of Conduct:

#### What fees will I pay?

We offer advisory accounts through a Wrap Fee Program. For participation in our Wrap Fee Program, your fees are based on an annual percentage of the value of your account(s) and may be negotiated. This fee is charged quarterly, in advance at the rate of 1/4<sup>th</sup> of the annual fee with the rate based on the aggregate value of all accounts belonging to a family. Asset-based fees associated with the Wrap Fee Program include most transaction costs and fees to a broker-dealer or bank that has custody of these assets, which can be higher than other asset-based advisory fees. A wrap fee program simplifies how your quarterly fees are calculated regardless of the number of transactions you have. You may pay additional fees charged by other parties such as transaction fees, custodial fees or internal fees charged by the company providing the security for their investment management, marketing or administrative costs. Additionally, you are responsible for paying deferred sales charges, odd-lot differentials, transfer taxes and other fees charged by the custodian. The more assets in your account, the more you will pay in fees, and we may, therefore, have an incentive to encourage you to increase the assets in your account. However, at certain thresholds, your fee schedule may be reduced due to the increased level of assets, which may result in a lower fee rate being charged to your account.

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For Financial Planning services, we bill hourly or as a fixed rate based on the complexity of your plan.

For ERISA services, the amount paid to our firm and your financial professional generally does not vary based on the type of investments selected on your behalf. The asset-based fee reduces the value of your account and will be generally deducted from your account. Some investments, such as mutual funds or variable annuities, impose additional fees that will reduce the value of your investment over time and may include surrender charges. Generally, the more assets you have in your advisory account, the more you will pay in total fees. We therefore have an incentive to increase the assets in your account in order to increase our fees.

**Additional Information:** You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying and review our Form ADV, Part 2A Brochure (Item 5) at <https://adviserinfo.sec.gov/firm/brochure/164975>

**Conversation Starter. Help me understand how these fees and costs might affect my investments. If I give you \$1,000,000 to invest, how much will go to fees and costs, and how much will be invested for me?**

**What are your legal obligations to me when acting as my investment adviser? How else does your firm make money and what conflicts of interest do you have?**

**When we act as your investment adviser**, we are required to act in your best interest as a Fiduciary, and not put our interest ahead of yours. At the same time, how we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the investment advice, we provide you. Here are examples to help you understand what this means: we recommended broker-dealers as your account custodian which provide us with software and other technology intended to help us manage and further develop our advisory practice. In light of our arrangements with those custodians, a conflict of interest exists between our interests and yours because we have an incentive to recommend them based on the benefits we receive. Additionally, our employees may buy, sell or hold in personal accounts the same securities we recommend to you. This creates a potential conflict of interest with the possibility of our personnel obtaining a better price than you obtain.

**Additional Information:** Please see Form ADV, Part 2A Brochure at <https://adviserinfo.sec.gov/firm/brochure/164975>.

**Conversation Starters: How might your conflicts of interest affect me, and how will you address them?**

**How do your professionals make money?**

Our personnel receive a salary and a discretionary bonus based on the success of the firm.

### Disciplinary History:

**Do your financial professionals have legal or disciplinary history?**

No. Visit <https://Investor.gov/CRS> for a free and simple search tool to research us and our financial professionals.

**Conversation Starters: As a financial professional, do you have any disciplinary history? For what type of conduct?**

### Additional Information:

**For additional information about our services**, please visit our website at <https://www.waterwaywealth.com/>

If you would like additional, up-to-date information or a copy of this disclosure, please call 281.363.0000 for our Texas office or 505.275.2436 for our New Mexico office.

**Conversation Starters: Who is my primary contact person? Is he or she a representative of an investment-adviser or a broker-dealer? Who can I talk to if I have concerns about how this person is treating me?**



**Waterway Wealth Management, L.L.C.**  
***ADV 2A Firm Brochure***

***Please see our Wrap Brochure for information about our  
investment advisory services.***

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The Woodlands, TX 77380  
281.363.0000  
[www.waterwaywealth.com](http://www.waterwaywealth.com)**

February 2025

**COVER PAGE (ITEM 1)**

This brochure provides information about the qualifications and business practices of Waterway Wealth Management, L.L.C. If you have any questions about the contents of this brochure, please contact us at 281-363-0000. 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. Waterway Wealth Management is an investment adviser registered with the SEC. Registration with the SEC does not imply a certain level of skill or training.

Additional information about Waterway Wealth Management, L.L.C. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**MATERIAL CHANGES (ITEM 2)**

The last update to this brochure was filed in June 2024. Since that update, no material changes have occurred.

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**ADVISORY BUSINESS (ITEM 4)****Advisory Firm Description**

Waterway Wealth Management, L.L.C. ("WWM," "we" or the "Firm") has been in business since July 2012. Daniel Paul Michalk is the sole owner.

**Types of Advisory Services**

We believe financial planning is an integral part of wealth management for individuals and families.

*Financial Planning Services*

In analyzing each client's individual needs, we provide a variety of financial planning services. We first conduct a complimentary initial consultation when we collect pertinent information about the client's financial circumstances and objectives. Once we understand the client's financial situation, we recommend a planning service that is appropriate to their specific needs. This will normally cover, but is not limited to, cashflow, retirement, investment, insurance and estate planning. Once we have reviewed and analyzed this information, we produce and present the client with a customized financial plan designed to achieve the client's stated financial goals and objectives.

*ERISA and ERISA Plan Services*

We are deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts ("IRAs") pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 ("the Code"), respectively. As such, we are subject to specific duties and obligations under ERISA and the Code that include, among other things, restrictions concerning certain forms of compensation.

We may assist you with retirement plan accounts and this assistance may present a conflict of interest. When you leave an employer there are typically four options regarding an existing retirement plan account and you may use a combination of these options; 1) if permitted, leave the funds in your former employer's plan, 2) if roll overs are permitted and you have new employer with a plan available, roll over the funds to your new employer's plan, 3) roll over to an Individual Retirement Account ("IRA"), or 4) withdraw or cash out your funds from the plan which may have adverse tax consequences depending on your age. When we recommend that you roll over your retirement plan assets into account to be managed by us, such a recommendation creates a conflict (benefit to us) when we earn an advisory fee on your rolled over funds. You are under no obligation to roll over retirement plan assets to an account managed by us.

WWM offers service to qualified and non-qualified retirement plans including 401(k) plans, 403(b) plans, pension and profit-sharing plans, cash balance plans, and deferred compensation plans. WWM may act as a 3(21) or 3(38) advisor:

**Limited Scope ERISA 3(21) Fiduciary.** WWM acts as a limited-scope ERISA 3(21) fiduciary that can advise, help, and assist plan sponsors with their investment decisions. As an investment advisor WWM has a fiduciary duty to act in the best interest of the Client. The plan sponsor is still ultimately responsible for the decisions made in their plan, though

using WWM can help the plan sponsor delegate liability by following a diligent process.

1. Fiduciary Services the Firm offers:

- Provide investment advice to the Client about asset classes and investment alternatives available for the Plan in accordance with the Plan's investment policies and objectives. Clients will make the final decision regarding the initial selection, retention, removal, and addition of investment options. WWM acknowledges that it is a fiduciary as defined in ERISA section 3 (21) (A) (ii).
- Assist the Client in the development of an investment policy statement ("IPS"). The IPS establishes the investment policies and objectives for the Plan. Client shall have the ultimate responsibility and authority to establish such policies and objectives and to adopt and amend the IPS.
- Provide investment advice to the Plan Sponsor with respect to the selection of a qualified default investment alternative for participants who are automatically enrolled in the Plan or who have otherwise failed to make investment elections. The Client retains the sole responsibility to provide all notices to the Plan participants required under ERISA Section 404© (5) and 404(a)-5.
- Assist in monitoring investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformance to the guidelines set forth in the IPS and make recommendations to maintain, remove or replace investment options.
- Meet with the Client on a periodic basis to discuss the reports and the investment recommendations.

2. Non-fiduciary Services may include:

- Assist in the education of Plan participants about general investment information and the investment alternatives available to them under the Plan. Client understands WWM's assistance in education of the Plan participants shall be consistent with and within the scope of the Department of Labor's definition of investment education (Department of Labor Interpretive Bulletin 96-1). As such, WWM is not providing fiduciary advice as defined by ERISA 3(21)(A)(ii) to the Plan participants. WWM will not provide investment advice concerning the prudence of any investment option or combination of investment options for a particular participant or beneficiary under the Plan.
- Assist in the group enrollment meetings designed to increase retirement plan participation among the employees and investment and financial understanding by the employees.

WWM may provide these services or, alternatively, may arrange for the Plan's other providers to offer these services, as agreed upon between WWM and Client.

3. WWM has no responsibility to provide services related to the following types of assets ("Excluded Assets"):

- Employer securities;
- Real estate (except for real estate funds or publicly traded REITs);
- Stock brokerage accounts or mutual fund windows;
- Participant loans;
- Non-publicly traded partnership interests;
- Other non-publicly traded securities or property (other than collective trusts and similar vehicles); or
- Other hard-to-value or illiquid securities or property.

Excluded Assets will **not** be included in the calculation of Fees paid to WWM on the ERISA Agreement. Specific services will be outlined in detail to each plan in the 408(b)2 disclosure.

### *Investment Advisory Services*

We also offer investment advisory services, which are separately disclosed in our Wrap Fee brochure. The WWM Wrap Fee Program (the "Program") is a fee-only investment management program we sponsor, and in which we pay for all transaction expenses the custodian charges accounts we manage. *Please see the Wrap Fee brochure for particulars of this Program.*

Not all our clients are on the same fee schedule, as our fees, and the assets we bill on, have changed over the life of the firm. Additionally, our fees are negotiable, and we reserve the right to negotiate any fees based on numerous factors. Therefore, some clients pay more or less than others for similar services.

### **Client Assets Under Management**

As of December 31, 2024, we had \$552,789,475 of total assets under management of which \$530,188,403 is managed on a discretionary basis and \$22,601,072 is managed on a non-discretionary basis.

## **FEES AND COMPENSATION (ITEM 5)**

### ***Financial Planning Services Fees***

We charge financial planning fees as follows, subject to negotiation depending on the nature, complexity and time involved in providing the client with requested services:

#### *Fixed Fees*

We will charge a fixed fee, which typically ranges between \$4,000 and \$10,000 for comprehensive financial planning services. This fee may be negotiated, is determined at the onset of the engagement, and depends upon the complexity of the client's needs and the scope of the financial planning services required to meet those needs. This fee is charged one-half up front and one-half upon completion of the plan, with plans generally being completed within 90 days. *In limited circumstances*, the total cost could potentially exceed this fixed amount, which is directly dependent upon the complexity of the contracted service. In such cases, we will notify the client and may request that the client pay an additional fee.

#### *Hourly Fees*

In circumstances where discrete financial planning advice is needed, we occasionally will charge an hourly consultation fee, which ranges between \$100 and \$300, depending on the nature of the contracted services. These consultation fees are due immediately upon completion of the consultation.

### ***ERISA Plan Services Fees***

The annual fees are based on the market value of the Included Assets and shall not exceed 1%. Fees may be charged quarterly or monthly in arrears or in advance based on the assets as calculated by the custodian or record keeper of the Included Assets (without adjustments for anticipated withdrawals by Plan participants or other anticipated or scheduled transfers or distribution of assets) on the last business day of the previous quarter.

The fee schedule, which includes compensation of WWM for the services is described in detail in the ERISA Plan Agreement. The Plan is obligated to pay the fees; however, the Plan Sponsor may elect to pay the fees. Clients may elect to be billed directly or have fees deducted from Plan Assets. WWM does not reasonably expect to receive any additional compensation, directly or indirectly, for its services. If additional compensation is received, WWM will disclose this compensation, the services rendered, and the payer of compensation.

**Investment Advisory Services/Wrap Program Fees**

Clients in the Program pay a tiered calculation fee for participation in the Program (the "Program Fee") as shown in the table below. The Program Fee is negotiable and may be adjusted by WWM based on the complexity of each client's individual situation at the sole discretion of WWM and will be shown on the client's Agreement. Accounts owned by members of the same relationship, are aggregated in order to obtain the tiered fee rate to all accounts in that relationship. Fees are deducted from each member's account on a pro rata basis and clients may direct us to deduct fees from a different account. The firm does not discriminate on the level of service it provides to clients based on the fees it receives. WWM's tiered fee structure for new clients follows:

Assets Under Management	Tiered Annual Wrap Program Fee
\$0- \$3,000,000	1.00%
The next \$3,000,001 to \$5,000,000	0.90%
The next \$5,000,001 to \$10,000,000	0.80%
Assets above \$10,000,001	0.50%

For example, relationship assets totaling \$4 million would be charged an annual fee of 1%, or \$30,000 on the first \$3 million and 0.90% or \$9,000 on the next \$1 million to determine the total annual fee. We bill quarterly in advance at the rate of one fourth of the blended fee shown above, with the value of the account based on the aggregate value of all accounts belonging to a relationship. Fees charged to each account for the next quarter are calculated based on the portfolio valuation, including cash, and accrued interest, as of the close of market on the last business day of the previous quarter. Additional deposits and withdrawals of funds and/or securities to the Program may be made to the account at any time, and do not result in fee adjustments retroactively. Program Fees are calculated pro rata for partial billing periods (for new or closed accounts) based upon the initial (or ending) value of the assets in the account and the number of days those assets were under management over the actual number of days in the quarter. All investment management fee calculations are computed by Black Diamond, our portfolio management software, which receives a daily valuation of securities from the account custodian or an independent pricing service.

We use a third-party platform to facilitate the management of held-away assets such as defined contribution plan participant accounts (e.g., 401(k), 403(b), and HSA accounts), with discretion. The platform allows us to avoid being considered to have custody of Client funds since we do not have direct access to Client log-in credentials to affect trades. We are not affiliated with the third-party platform in any way and receive no compensation from them for using their platform. A link will be provided to the Client allowing them to connect an account(s) to the platform. Once the Client account(s) is connected to the platform, WWM will review the current account allocations. When deemed necessary, WWM will rebalance the account considering client investment goals and risk tolerance, and any change in allocations will consider current economic and market trends. The goal is to improve account performance over time, minimize loss during difficult markets, and manage internal fees that harm account performance. Client



account(s) will be reviewed at least quarterly, and allocation changes will be made as deemed necessary. There is no separate fee for this service. Client accounts on the platform will be added to the Client's overall portfolio value for the purposes of calculating fees. Fees for these accounts will not be deducted from the account managed on the platform but from another account of the Client's choosing.

Because we have a long history of serving our clients and pride ourselves on serving clients' needs individually, different clients are on different fee schedules, paying different rates on the same amount of assets. This means some clients pay more (or less) than other clients with the same amount of assets under management. We do not differentiate our investment management service we provide to clients based on each client's fee schedule or structure.

The Program Fee includes transaction fees charged by the custodian on client accounts we manage. We pay the custodians for transaction fees in our clients' accounts, creating a potential conflict of interest between our interests and those of our clients. This arrangement incentivizes us to minimize trades we place for clients and is mitigated by our complying with required standards of conduct to act in our clients' best interest. The client is responsible to pay deferred sales charges, odd-lot differentials, transfer taxes and other fees the custodian charges the accounts. Any additional charges (which would be at the client's request) to the account by the custodian are paid by the client. These additional fees would be for items such as requesting paper certificates.

When we recommend a mutual fund, ETF, or money market fund for a client's account, two separate fees may be charged to the client, either directly or indirectly. The first fee, which is direct, is our investment management fee where the fund is included in the asset base for the quarterly fee calculation. The second fee, which is indirect, is the set of internal fees charged by the investment company for the fund's investment management, marketing, administration, and marketing assistance. These internal expenses are disclosed in each fund's prospectus, which is provided to each client by the custodian.

Some mutual funds charge clients 12b-1 fees which are paid out to advisors as commissions. Our firm does not charge or receive a commission or a mark-up on securities transactions, nor will the firm or an associate be paid a commission on the purchase of a securities holding that is recommended to a client. Therefore, it is our Firm policy to not select mutual funds that charge 12b-1 fees. WWM looks to invest in mutual funds that are appropriate for a client's portfolio and have the lowest "all-in" cost to the client.

### **Termination**

The typical agreement we enter with clients allows for either party to terminate the agreement immediately upon receipt of written notice. The client may terminate their agreement without penalty within five (5) business days after entering into the agreement. Otherwise, at the date of termination, the client agrees to pay fees due to the Firm based on time expended to date on the financial plan or the Firm will refund any prepaid planning or investment management fees which have not yet been earned.

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT (ITEM 6)**

We do not charge any performance-based fees or engage in side-by-side management.

**TYPES OF CLIENTS (ITEM 7)**

We provide investment advisory services to:

- Individuals
- High net worth individuals
- Pension and profit-sharing plans
- Trusts and estates

For the Wrap Program, we prefer an initial minimum investment amount, generally aggregating all accounts belonging to a set of family members, of \$3,000,000. We reserve the right to waive or lower this minimum.

**METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS (ITEM 8)**

We do not invest for clients in our financial planning role. *Please see our Wrap Brochure for particulars about our investment advisory services.*

The financial planning process involves the collection, organization, and assessment of all relevant client data, as well as identification of the client's financial concerns, goals, and objectives. The primary objective of this process is to allow us to assist the client in developing a strategy for the successful management of income, assets, and liabilities in meeting the client's long-term financial goals and objectives.

Financial plans are based on the client's financial situation at the time the plan is presented and are based on financial information disclosed by the client. We cannot offer any guarantees or promises that the client's financial goals and objectives will be met. As the client's financial situation, goals, objectives or needs change, the client must notify us promptly.

Clients are advised that financial plans do not guarantee investment results. Investment assumptions included in a financial plan are not guaranteed and should be monitored based on each client's individual risk tolerance, time horizon and portfolio allocation.

Cybersecurity Risk: WWM and its service providers may be subject to operational and information security risks resulting from cyberattacks. Cyberattacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cybersecurity breaches. Cybersecurity attacks affecting WWM and its service providers may adversely impact Clients. For instance, cyberattacks may interfere with the processing of transactions, cause the release of private information about Clients, impede trading, subject WWM to regulatory fines or financial losses, and cause reputational damage. Similar types of cybersecurity risks are also present for issuers of securities in which Clients may invest in, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions. Cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost and reputational damages, and loss from damage or interruption of systems. Although WWM has established its systems to reduce the risk of these incidents from coming to fruition, there is no guarantee that these efforts will always be successful, especially considering that WWM does not directly control the cybersecurity measures and policies employed by third party service providers.

**DISCIPLINARY INFORMATION (ITEM 9)**

There have been no disciplinary actions against the Firm, our employees or Daniel Michalk.

**OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS (ITEM 10)**

We have no other financial industry activities or affiliations.

**CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING (ITEM 11)****Code of Ethics**

We have adopted a Code of Ethics, which describes the general standards of conduct that we expect of all personnel (collectively referred to as “employees”) and focuses on three specific areas where employee conduct has the potential to adversely affect the client:

- Misuse of nonpublic information
- Personal securities trading
- Outside business activities

Failure to uphold the Code of Ethics may result in disciplinary sanctions, including termination of employment. Any client or prospective client may request a copy of our Code of Ethics, which will be provided at no cost.

The following basic principles guide all aspects of our business and represent the minimum requirements to which we expect employees to adhere:

- Clients' interests come before employees' personal interests and before our interests.
- We must fully disclose all material facts about conflicts of interest of which we are aware between clients and us as well as between our employees and clients.
- Employees must operate consistently with our disclosures and manage the impacts of those conflicts.
- We, including our employees, must not take inappropriate advantage of our positions of trust with or responsibility to clients.
- We, including our employees, must always comply with all applicable securities laws.

*Misuse of Nonpublic Information*

The Code of Ethics contains a policy against the use of nonpublic information in conducting our business. Employees may not convey nonpublic information nor depend upon it in placing personal or recommending clients' securities trades.

*Personal Securities Trading*

Trading in Personal Accounts is subject to review and, in some cases, prior approval by the CCO. Our employees may buy, sell, or hold in their personal accounts the same securities we recommend to clients. This creates a potential conflict of interest with the possibility of our personnel obtaining a better price than clients obtain. To mitigate this conflict, such trades may occur on the same day at the same time receiving average pricing or after the client with the client receiving the same or better pricing. The purchase of IPOs or private placements is

allowed with prior permission from our Chief Compliance Officer. We do not allow front-running client trades.

Employees are required to submit reports of personal securities trades on a quarterly basis, and securities holdings annually. These are reviewed by the Chief Compliance Officer to ensure compliance with our policies.

#### *Outside Business Activities*

Employees are required to report any outside business activities generating revenue. If any are deemed to be in conflict with clients, such conflicts will be fully disclosed, or the employee will be directed to cease this activity.

### **BROKERAGE PRACTICES (ITEM 12)**

In its financial planning role, we do not recommend brokers for clients.

For the Program, we recommend various qualified custodians for clients. We have an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") in which we recommend clients use their custodial services. WWM may also recommend that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. We prefer that clients in need of brokerage and custodial services use either Fidelity or Schwab, as they provide a number of resources and services which are helpful both to us and to our clients.

#### Fidelity

Fidelity provides us with "institutional platform services." These include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing, and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping, and client reporting.

Fidelity also offers other services intended to help us manage and further develop our advisory practice. Such services include, but are not limited to, performance reporting, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third-party service providers who provide a wide array of business-related services and technology with whom we may contract directly. We receive these benefits because of our clients' relationships with Fidelity but have no formal soft dollar arrangements and receive no compensation from Fidelity. These benefits provided by Fidelity might assist us with the administration of client accounts, and thus slightly help our profitability, creating a potential conflict of interest with clients. We believe this is not a material conflict.

#### Schwab

Schwab provides us with access to institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent

investment advisors on an unsolicited basis, at no charge so long as a total of at least \$10 million of our clients' assets are maintained in accounts at Schwab Advisor Services. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, 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 our client accounts maintained at Schwab, there is not a separate custody fee, but rather Schwab is compensated through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to us other products and services that benefit us but may not benefit our clients' accounts. These benefits may include national, regional, or specific educational events organized and/or sponsored by Schwab Advisor Services. Other potential benefits may include occasional business entertainment of our personnel by Schwab Advisor Services personnel, including meals, some of which may accompany educational opportunities. Other products and services that assist us in managing and administering clients' accounts 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 (such as allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of our fees from our clients' accounts, and assist with back-office training, support functions, recordkeeping and client reporting. Many of these services may be used to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab Advisor Services. Schwab Advisor Services also makes available other services intended to help us manage and further develop our 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, human capital consultants, insurance, and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to us by independent third parties. Schwab Advisor Services may, but currently does not, 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 WWM. While, as a fiduciary, we endeavor to act in our clients' best interests, our recommendation/requirement that clients maintain their assets in accounts at Schwab may be based in part on the benefit to us of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

The final decision to custody assets with Schwab or Fidelity is at the discretion of our clients, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. We are independently operated and owned and are not affiliated with Fidelity or Schwab.

We recommend Fidelity or Schwab as "qualified custodians" for clients' accounts, with each client signing a separate agreement with Fidelity or Schwab. In recommending a custodian, we consider the range and quality of the products the custodian offers, the technical support provided, execution quality, commission rates, the financial responsibility and responsiveness of the custodian to us and our clients. We recognize our responsibility to attain best execution and recognize that limiting our custodial relationships may affect our ability to provide best execution on a trade-by-trade basis. However, we evaluate each entire custodial relationship in assessing best execution on a client-by-client basis.

### Aggregating Trading for Multiple Client Accounts

When a Client authorizes discretionary management, WWM is authorized in its discretion to aggregate purchases and sales and other transactions made for the account with purchases and sales and transactions in the same securities for other Clients of WWM. All Clients participating in the aggregated order shall receive an average share price with all other transaction costs shared on a prorated basis. If aggregation is not allowed or infeasible and individual transactions occur (e.g., withdrawal or liquidation requests, odd-late trades, etc.) an account may potentially be assessed higher costs or less favorable prices than those where aggregation has occurred. WWM will always attempt to aggregate orders whenever it has the opportunity to do so.

## **REVIEW OF ACCOUNTS (ITEM 13)**

We attempt to meet with clients on at least an annual basis, with the meeting covering both financial plan and investment management aspects. Portfolio Managers, Financial Planners, or Investment Advisor Representatives conduct all financial plan reviews for the Firm.

Other conditions that may trigger a review of Clients' accounts are market volatility, drift from target allocation, changes in the tax laws, new investment information, and changes in a Client's own situation.

Clients are sent access to written account statements no less than quarterly for managed accounts. Account statements are issued by the Client's custodian. Client receives confirmations of each transaction in account from Custodian and an additional statement during any month in which a transaction occurs. WWM may also send periodic or other event-inspired reports based on market or portfolio activity. Reports will generally be provided in electronic format.

## **CLIENT REFERRALS AND OTHER COMPENSATION (ITEM 14)**

The Firm does not pay outside individuals or entities for referring clients.

## **CUSTODY (ITEM 15)**

Custody is defined as having access to the assets in a client's account. Because our clients allow us to direct the account custodians to deduct our management fees from their accounts, we are deemed to have a form of custody of those accounts. Additionally, several clients have established written standing instructions with Schwab or Fidelity which allow clients to direct us to send funds from their account to other accounts without obtaining the client's signature before each transfer. Therefore, we have a form of custody over these accounts since the amount and/or timing of these transfers are not pre-defined. However, these accounts are not required to be surprise examined by a public accounting firm.

We use a third-party platform to facilitate the management of held-away assets such as defined contribution plan participant accounts (e.g., 401(k), 403(b), and HSA accounts), with discretion. The platform allows us to avoid being considered to have custody of Client funds since we do not have direct access to Client log-in credentials to affect trades.

## **INVESTMENT DISCRETION (ITEM 16)**

Client will authorize WWM discretionary authority, via the Investment Advisory Agreement, to determine, without obtaining specific Client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. Client will authorize WWM discretionary authority

to execute selected investment program transactions as stated within the Investment Advisory Agreement.

WWM allows Clients to place certain restrictions, as outlined in the Client's Investment Policy Statement or similar document. Such restrictions could include only allowing purchases of socially conscious investments. These restrictions must be provided to WWM in writing.

WWM does not manage accounts in its financial planning or ERISA 3(21) Investment Advisor roles, so WWM does not have investment discretion in the execution of those services.

#### **VOTING CLIENT SECURITIES (ITEM 17)**

We do not vote client proxies for securities held in client accounts. Clients receive proxy information directly from the custodians by email or US mail and may contact us for assistance in voting on any particular issue.

#### **FINANCIAL INFORMATION (ITEM 18)**

There is no financial condition that is reasonably likely to impair our ability to meet our contractual commitments to our clients. We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.



**Waterway Wealth Management, L.L.C.**  
*ADV 2B (Firm Brochure Supplement)*

**Daniel P. Michalk, CFA, CFP<sup>®</sup>, ChFC**  
**Ross C. King JD, CPA, CFP<sup>®</sup>**

**21 Waterway, Suite 500**  
**The Woodlands, TX 77380**  
**281.363.0000**  
[www.waterwaywealth.com](http://www.waterwaywealth.com)

February 2025

This brochure supplement provides information about our advisors that supplements the Waterway Wealth Management, L.L.C. brochure. You should have received a copy of that brochure. Please contact Daniel Michalk at 281.363.0000 if you did not receive Waterway Wealth Management, L.L.C.'s brochure or if you have any questions about the contents of this supplement.

Additional information about our Waterway Wealth Management, L.L.C.'s advisors is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

**Daniel P. Michalk, CFA<sup>®</sup>, CFP<sup>®</sup>, ChFC<sup>®</sup>**

Born 1970

21 Waterway, Suite 500  
The Woodlands, TX 77380  
281.363.0000

**Education:**

Texas A&M, B.S, Mechanical Engineering, (1993)

**Business Background:**

Waterway Wealth Management, L.L.C., Managing Member and Chief Compliance Officer,  
(June 2012 – present)

Heritage Wealth Management, Inc., President, and Chief Compliance Officer  
(July 2002 – December 2012)

AIG Financial Advisors, Registered Representative (July 2002 – April 2006)

Lutheran Brotherhood Securities Corp., Registered Representative (December 1994 – June  
2002)

Lutheran Brotherhood Securities Corp., District Representative (August 1994 – June 2002)

**Professional Designations\*:**

Certified Financial Planner, CFP<sup>®</sup>, (2000)

Chartered Financial Consultant, ChFC<sup>®</sup> (2001)

Chartered Financial Analyst<sup>®</sup>, CFA<sup>®</sup>, (2021)

*\*For additional information on these professional designations, see the final pages of this brochure supplement*

## DISCIPLINARY INFORMATION

Daniel P. Michalk has no disciplinary or legal events to disclose.

## OTHER BUSINESS ACTIVITIES

Daniel P. Michalk is not actively engaged in any other investment-related business or occupation.

## ADDITIONAL COMPENSATION

Daniel P. Michalk does not receive any economic benefit from a non-client for providing advisory services.

## SUPERVISION

Daniel P. Michalk is the Chief Compliance Officer of WWM and therefore is solely responsible for all supervision and formulation, and monitoring of investment advice offered to Clients.

**EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

**Ross C. King JD, CPA, CFP®**

Born 1984

21 Waterway, Suite 500  
The Woodlands, TX 77380  
281.363.0000

**Education:**

Juris Doctor University of Mississippi, Legal (May 2010)  
Master of Taxation Mississippi State University (May 2007)  
Bachelor of Accountancy Mississippi State University (May 2006)

**Business Background:**

Waterway Wealth Management, L.L.C., Senior Financial Planner, (April 2024 – present)  
Regions Bank Trust Advisor (July 2019 – March 2024)  
Northern Trust Company Associate Client Advisor (August 2013 – June 2019)  
PricewaterhouseCoopers, LLP Senior Associate (November 2010 – July 2013)

**Professional Designations\*:**

Certified Financial Planner, CFP®, (2018)  
Certified Public Accountant – Texas (2012)

*\*For additional information on these professional designations, see the final pages of this brochure supplement*

**DISCIPLINARY INFORMATION**

Ross C. King has no disciplinary or legal events to disclose.

**OTHER BUSINESS ACTIVITIES**

Ross C. King is not actively engaged in any other investment-related business or occupation.

**ADDITIONAL COMPENSATION**

Ross C. King does not receive any economic benefit from a non-client for providing advisory services.

**SUPERVISION**

Ross C. King is supervised by Daniel P. Michalk, Chief Compliance Officer of W/WM, who supervises and monitors the advisory services of the Firm. Daniel P. Michalk can be reached at 281.363.0000.

## **Certification & Designation Information**

### **Certified Financial Planner® Certification**

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

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

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board's studies have determined, as necessary.
- Examination – Pass the comprehensive CFP® Certification Examination.
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year).
- Ethics – Agree to be bound by CFP Board's *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

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

- Continuing Education – Complete 30 hours of continuing education hours every two years.
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*.

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

### **Chartered Financial Consultant Designation**

Chartered Financial Consultant® (ChFC®) is a financial planning designation for the insurance industry conferred by The American College of Financial Services. Candidates must meet education, experience, examination, and continuing ethical requirements. Candidates must have at least three years of experience in the financial industry, or an undergraduate or graduate degree from an accredited university and two years of experience in the financial industry. Candidates are required to take nine academic courses, each followed by an exam. The courses and exams cover topics in finance, investing, insurance, and estate planning. ChFC® designees must earn recertification every two years.

### **Chartered Financial Analyst Charter**

CFA's are licensed by the CFA Institute to use the CFA mark. CFA certification requirements:

- Hold a bachelor's degree from an accredited institution or have equivalent education or work experience.
- Successful completion of all three exam levels of the CFA Program.

- Have 48 months of acceptable professional work experience in the investment decision-making process.
- Fulfill society requirements, which vary by society. Unless you are upgrading from affiliate membership, all societies require two sponsor statements as part of each application; these are submitted online by your sponsors.
- Agree to adhere to and sign the Member's Agreement, a Professional Conduct Statement, and any additional documentation requested by CFA Institute.

**Series 65**

The Series 65 exam, also known as NASAA's Uniform Investment Adviser Law Examination, is administered by the Financial Industry Regulatory Authority (FINRA), who administers all NASAA's exams.

- The Series 65 license lasts for two or three years, a duration set individually by each state. This timeframe determines how long a licensee must become licensed or registered with the state without their Series 65 license expiring.
- Once registered, the Series 65 license does not expire so long the Series 65 license holder remains employed in the industry.
- Once a Series 65 licensee is terminated from their position or otherwise becomes inactive, the expiration countdown for their Series 65 license begins again.



**Waterway Wealth Management, L.L.C.**  
*Wrap Fee Program Brochure*

**21 Waterway, Suite 500**  
**The Woodlands, TX 77380**  
**281.363.0000**  
[www.waterwaywealth.com](http://www.waterwaywealth.com)

February 2025

**COVER PAGE (ITEM 1)**

This wrap fee program brochure provides information about the qualifications and business practices of Waterway Wealth Management, L.L.C. If you have any questions about the contents of this brochure, please contact us at 281-363-0000. 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. Waterway Wealth Management is an investment adviser registered with the SEC. Registration with the SEC does not imply a certain level of skill or training.

Additional information about Waterway Wealth Management, L.L.C. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**MATERIAL CHANGES (ITEM 2)**

The last annual update of this brochure was in June 2024. Since that update, no material changes have occurred.

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**SERVICE, FEES, AND COMPENSATION (ITEM 4)****Advisory Firm Description**

Waterway Wealth Management, L.L.C. ("WWM," "we" or the "Firm") has been in business since July 2012. Daniel Paul Michalk is the sole owner. We provide investment advisory services, which include comprehensive wealth management and financial planning services.

**Wrap Fee Program Description**

The WWM Wrap Fee Program (the "Program") is a fee-only investment management program we sponsor in which we pay all transaction expenses the custodian charges accounts that we manage. The Program provides families, individuals, pension and profit-sharing plans, trusts, and estates the ability to trade in individual debt and equity securities, mutual funds, index funds, exchange-traded funds, options, and other eligible securities without incurring separate brokerage commissions or transaction charges.

Our investment management service includes:

- Determining clients' investment goals
- Evaluating current assets
- Determining projected cash flow needs
- Determining any investment constraints
- Determining client risk tolerance
- Developing an asset allocation, including specific investment recommendations
- Placing trades in the client's account as appropriate
- Establishing the investment account
- Ongoing client support for transfer assistance portfolio monitoring, and
- Quarterly reports

**Comprehensive Wealth Management**

We also provide a customized service to families or individuals requiring the Firm to take a much more integrated role in coordinating a client's financial picture. This service includes some or all of the following:

- Financial planning
- Investment management
- Interviewing, selecting, and overseeing:
  - Accountants
  - Mortgages
  - Banking relationships
  - Tax planning and filing
  - Estate planning

We also provide financial planning services that are separate from the Program. Please refer to our Form ADV Part 2A for more information on those services.

## Program Fees

Clients in the Program pay a tiered calculation fee for participation in the Program (the "Program Fee") as shown in the table below. The Program Fee is negotiable and may be adjusted by WWM based on the complexity of each client's individual situation at the sole discretion of WWM and will be shown on the client's Agreement. Accounts owned by members of the same relationship are aggregated to obtain the tiered fee rate to all accounts in that relationship. Fees are deducted from each member's account on a pro rata basis and clients may direct us to deduct fees from a different account. The firm does not discriminate on the level of service it provides to clients based on the fees it receives. WWM's tiered fee structure for new clients follows:

Assets Under Management	Tiered Annual Wrap Program Fee
\$0- \$3,000,000	1.00%
The next \$3,000,001 to \$5,000,000	0.90%
The next \$5,000,001 to \$10,000,000	0.80%
Assets above \$10,000,001	0.50%

For example, relationship assets totaling \$4 million would be charged an annual fee of 1%, or \$30,000 on the first \$3 million and 0.90% or \$9,000 on the next \$1 million to determine the total annual fee. We bill quarterly in advance at the rate of one fourth of the blended fee shown above, with the value of the account based on the aggregate value of all accounts belonging to a relationship. Fees charged to each account for the next quarter are calculated based on the portfolio valuation, including cash, and accrued interest, as of the close of market on the last business day of the previous quarter. Additional deposits and withdrawals of funds and/or securities to the Program may be made to the account at any time, and do not result in fee adjustments retroactively. Program Fees are calculated pro rata for partial billing periods (for new or closed accounts) based upon the initial (or ending) value of the assets in the account and the number of days those assets were under management over the actual number of days in the quarter. All investment management fee calculations are computed by Black Diamond, our portfolio management software, which receives a daily valuation of securities from the account custodian or an independent pricing service.

We use a third-party platform to facilitate the management of held-away assets such as defined contribution plan participant accounts (e.g., 401(k), 403(b), and HSA accounts), with discretion. The platform allows us to avoid being considered to have custody of Client funds since we do not have direct access to Client log-in credentials to affect trades. We are not affiliated with Pontera in any way and receive no compensation from them for using their platform. A link will be provided to the Client allowing them to connect an account(s) to Pontera. Once the Client account(s) is connected to the platform, WWM will review the current account allocations. When deemed necessary, WWM will rebalance the account considering client investment goals and risk tolerance, and any change in allocations will consider current economic and market trends. The goal is to improve account performance over time, minimize loss during difficult markets, and manage internal fees that harm account performance. Client account(s) will be reviewed at least quarterly, and allocation changes will be made as deemed necessary. There is no separate fee for this service. Client accounts on the Pontera platform will be added to the Client's overall portfolio value for the purpose of calculating fees. Fees for Pontera accounts will not be deducted from the Pontera account but from another account of the Client's choosing.



Because we have a long history of serving our clients and pride ourselves on serving clients' needs individually, different clients are on different fee schedules. This means that some clients are paying more (or less) than other clients with the same amount of assets under management. We do not differentiate the investment management service we provide to clients based on each client's fee schedule or structure.

Our Investment Advisory Agreement and the client's agreement with the custodian authorize the custodian to deduct the Program Fee from the client's account and remit it directly to us. In arrangements where the Program Fee is deducted directly from the client's account, the custodian will send the client a statement, at least quarterly, indicating all amounts disbursed from the client's account, including the amount of the Program Fee paid directly to us. This fee deduction is deemed a form of custody by the Securities and Exchange Commission, although all client securities, investments and funds are held by an outside custodian. Please see our Form ADV 2A for additional discussion of our possibly having custody of client assets.

### **Comprehensive Wealth Management Fees**

Because of the differing nature of each family's needs, Comprehensive Wealth Management is provided on a proposal basis, where the Firm outlines to the family (or individual) what will be provided and at what price. An agreement for Comprehensive Wealth Management, which will contain the proposal as an addendum, will be executed and will show exactly what services the client will receive from the Firm, any reports and regular meetings, and what fees the client will be paying. These fees (and associated services) are included in the client's Annual Program Fee.

### **Fee Comparison**

Under the Program, clients receive both investment advisory services and the execution of transactions in eligible securities for a single, combined annualized fee, the Program Fee. Participation in the Program may cost the client more or less than purchasing such services separately elsewhere. For example, the Program Fee, which is fixed regardless of the number of transactions occurring in the account, may be more or less than paying for execution on a per-transaction basis and paying a separate fee for advisory services. We do not charge our clients higher advisory fees based on the Firm's trading activity. Clients should be aware that we may have an incentive to limit the Firm's trading activities in the clients' accounts because we are charged transaction fees or commissions for trades we execute in clients' accounts.

The WWM Program Fee may be higher or lower than fees charged by other sponsors of comparable investment advisory programs. We receive the entire Program Fee, and then reimburse the custodian for the transaction fees and any other charges the Firm incurred on behalf of a managed client account (if any) during the prior quarter. Thus, we receive and retain the majority of the quarterly Program Fee. We offer only the Program to our clients in order to eliminate client concerns regarding variable transaction costs.

### **Additional Costs**

The Program Fee includes transaction fees charged by the custodian on client accounts we manage. Deferred sales charges, odd lot differentials, transfer taxes and other fees that the custodian charges the accounts will be paid by the client. Any additional charges (which would be at the client's request) to the account by the custodian are paid by the client. These additional fees would be for items such as requesting paper certificates.

When we recommend a mutual fund, ETF, or money market fund for a client's account, two separate fees may be charged to the client, either directly or indirectly. The first fee, which is direct, is our investment management fee where the fund is included in the asset base for the quarterly fee calculation. The second fee, which is indirect, is the set of internal fees charged by the investment company for the fund's investment management, marketing, administration, and marketing assistance. These internal expenses are disclosed in each fund's prospectus, which is provided to each client by the custodian.

Some mutual funds charge clients 12b-1 fees which are paid out to advisors as commissions. Our firm does not charge or receive a commission or a mark-up on securities transactions, nor will the firm or an associate be paid a commission on the purchase of a securities holding that is recommended to a client. Therefore, it is our Firm policy to not select mutual funds that charge 12b-1 fees. WWM looks to invest in mutual funds that are appropriate for a client's portfolio and have the lowest "all-in" cost to the client.

### **Other Compensation for Participation in Wrap Fee Program**

WWM nor its employees receive compensation, other than the portfolio management fee, for the recommendation to the Client or the Client's participation in the Program.

## **PORTFOLIO REQUIREMENTS AND TYPES OF CLIENTS (ITEM 5)**

### **PORTFOLIO REQUIREMENTS**

We prefer an initial minimum investment amount, generally aggregating all accounts belonging to a set of family members, of \$3,000,000. We reserve the right to waive or lower this minimum.

### **TYPES OF CLIENTS**

WWM provides investment supervisory services and manages investment advisory accounts for:

- families and individuals,
- high net worth individuals,
- pension and profit-sharing plans,
- trusts and estates

## **PORTFOLIO MANAGER SELECTION AND EVALUATION (ITEM 6)**

### **PORTFOLIO MANAGER SELECTION AND EVALUATION**

WWM is the sole Portfolio Manager and Advisor for the Program. WWM develops each portfolio strategy around each Client's unique financial goals. The portfolio development process includes:

- Determining the timing targets of the Clients goals
- Analyzing the individual risk/return comfort level
- Developing specific investment strategies using a variety of investment methods (shown below) to match the clients total situation
- Monitoring the investments mix in an ongoing manner
- Providing ongoing meaningful communication between the advisor and the Client, assuring the investment plan is in concert with the total financial and family situations as

they are now and as they evolve.

The following industry standards may be used to evaluate the Portfolio Manager's performance in security selection:

- Morningstar Risk Rating (is the holding's measure should be equal to or better than its return rating; a risk rating of average or lower is better than high; favorable example: low risk rating and average return rating)
- Morningstar Return Rating (the investment's rating should be equal to or better than its risk rating; a return rating of average or higher is better than low; unfavorable example: high risk rating and average return rating)
- Alpha (how an investment's return compares with the returns of its peer group); the investment's 3-year alpha should show no difference or a positive difference between its total return and the return of its peer group.
- Sharpe Ratio (evaluates a Mutual Fund's or Exchange Traded Fund's risk adjusted performance); The Sharpe Ratio is calculated by taking the excess return of a portfolio, relative to the risk-free rate, and dividing it by the Standard Deviation of the portfolio's excess returns (Standard Deviation is a statistical measure of volatility over a period of time). The higher a portfolio's Sharpe Ratio, the better its risk-adjusted performance.
- Morningstar Category (this identifies the investment's general investment category; stocks have nine categories: large company, mid-cap company and small company for each of the growth, core, and value stock styles; bonds also have nine categories: short, intermediate, and long maturities for each of the high, medium, and low-quality ratings) The investment should be in the same category it was selected to fulfill in the portfolio's allocation strategy.

There is a natural potential conflict of interest with the Portfolio Manager conducting the ongoing review of the standards by which the Portfolio Manager's selection and management have been acceptable. The fact that the measures are completely objective, are provided by Morningstar, a well-known investment data provider, and not subject to manipulation act to mitigate this conflict.

#### **RELATED PERSONS AS PROGRAM MANAGERS**

WWM is the only Portfolio Manager for the Program. We do not offer access to additional Portfolio Managers but offer one fee to our Clients in order to eliminate concerns regarding variable transaction costs. To the extent that we receive the Program Fee as a result of recommending itself, we are in a conflict of interest with our Clients.

The goals and objectives for each Client are documented in our Client files. Investment strategies are created that reflect the stated goals and objectives. Clients may impose restrictions on investing in certain securities or types of securities. These restrictions may, however, prohibit engagement with WWM.

#### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Side-by-side management would apply only if we managed both accounts paying performance fees and accounts not paying such fees. We do not receive performance-based fees on any accounts we manage.

#### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Investing in securities involves risk of loss that Clients should be prepared to bear. Past performance is not a guarantee of future returns. Security analysis methods may include:

WWM uses a combination of the following types of analysis in evaluating investments for client accounts:

- Charting—Analysis of charts of past stock performance
- Fundamental—Analysis of financial attributes of a company, such as revenue growth, debt to equity ratio, inventory turnover, etc.
- Technical—Analysis which assumes past performance is a predictor of future performance
- Cyclical—Analysis based on business, industry, calendar, or historical cycles

Investment strategies for client accounts are structured to meet each client's objective.

### Core Strategy

Our Core strategy is a mix comprised of no-load mutual funds and ETFs, which are allocated as appropriate for each client. All clients have a portion of their total portfolio invested in this strategy. As client needs vary, additional strategies ("Satellite Strategies") are added. Risks to this strategy include market risk and expenses that would not be incurred if a client should invest directly in the underlying securities.

### Core Plus Strategy

Clients requiring special tax planning and income may participate in this strategy, which invests in 30-40 individual equities. In the Core Plus Strategy, fewer positions are held than in the Core Strategy making the potential concentration or unique risk higher. The individual equities usually are tilted toward value oriented companies with strong balance sheets and a sustainable dividend. These equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments. Throughout the year, the portfolio is monitored for tax gain and loss harvesting to take advantage of price fluctuations of individual equities.

Clients with additional income needs who participate in the Core Plus Strategy may use our Call Strategy, also referred to as a "buy-write" strategy. Our Call Strategy buys the stocks owned in the Core Plus Strategy and writes (or sells) call options that tracks the S&P 500 Index. This strategy is used to enhance returns under certain market conditions and to reduce volatility through the collection of call premiums. In down markets, the option premium generated cushions price decline in the underlying stock positions. The trade-off is that in strong equity markets, the upside potential of the equity position(s) is/are limited.

### S&P 500 Replication Strategy

Clients interested in a portfolio more closely aligned with the S&P 500 Index may participate in this strategy, which invests in 60-70 individual equities. In the S&P 500 Replication Strategy, the sector weights are closely aligned with the S&P 500 Index but not identical. There are fewer positions held than in the Core Strategy making the potential concentration or unique risk higher. These equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments. Throughout the year, the portfolio is monitored for tax gain and loss harvesting to take advantage of price fluctuations of individual equities.

### Private Equity Strategy

Clients willing to forego liquidity in hopes of increased returns may be offered to participate in private issues investing in real estate and illiquid alternative investments. These investments are illiquid, and may not be converted to cash for several, or extended, years. Illiquid investments are investments that are not heavily traded and cannot easily be converted to cash. If any of our clients requires cash and we must sell illiquid investments at an inopportune time, we might not be able to sell illiquid investments at prices that reflect our assessment of their value, or the amount paid for them and are likely to incur significant penalty fees. Additionally, investors in private issues may be more limited in their ability to rebalance relative to a more liquid portfolio and in some cases incur higher fees paid to the underlying managers.

**Investing in securities involves risk of loss that Clients should be prepared to bear. WWM's investment approach constantly keeps the risk of loss in mind. Investors may face the following investment risks:**

**General Investment and Trading Risks.** Clients may invest in securities and other financial instruments using strategies and investment techniques with significant risk characteristics. The investment program utilizes such investment techniques as option transactions, margin transactions, short sales, leverage, and derivatives trading, the use of which can, in certain circumstances, maximize the adverse impact to which a Client may be subject.

**Interest-rate Risk.** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

**Inflation Risk.** When any type of inflation is present, a dollar today will buy more than a dollar next year, because purchasing power is eroding at the rate of inflation.

**Currency Risk.** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

**Reinvestment Risk.** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

**Liquidity Risk.** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

**Management Risk.** The advisor's investment approach may fail to produce the intended results. If the advisor's assumptions regarding the performance of a specific asset class or fund are not realized in the expected time frame, the overall performance of the Client's portfolio may suffer.

**Options Trading.** The risks involved with trading options are that they are very time sensitive investments. An options contract is generally a few months. The buyer of an option could lose his or her entire investment even with a correct prediction about the direction and magnitude of a particular price change if the price change does not occur in the relevant time period (i.e., before the option expires). Additionally, options are less tangible than some other investments. An option is a "book-entry" only investment without a paper certificate of ownership.

**Trading on Margin.** In a cash account, the risk is limited to the amount of money that has been invested. In a margin account, risk includes the amount of money invested plus the amount that has been loaned. As market conditions fluctuate, the value of marginable securities will also fluctuate, causing a change in the overall account balance and debt ratio. As a result, if the value of the securities held in a margin account depreciates, the Client will be required to deposit additional cash or make full payment of the margin loan to bring the account back up to

maintenance levels. Clients who cannot comply with such a margin call may be sold out or bought in by the brokerage firm.

**Exchange-Traded Funds.** ETFs are a type of index fund bought and sold on a securities exchange. The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in it being more volatile and ETFs have management fees that increase their costs. ETFs are also subject to other risks, including: (i) the risk that their prices may not correlate perfectly with changes in the underlying reference units; and (ii) the risk of possible trading halts due to market conditions or other reasons that, in the view of the exchange upon which an ETF trades, would make trading in the ETF inadvisable.

**Mutual Fund Risks.** An investment in mutual funds could lose money over short or even long periods. A mutual fund's share price and total return are expected to fluctuate within a wide range, like the fluctuations of the overall stock market.

**Common Stocks and Equity-Related Securities.** Certain ETFs or mutual funds hold common stock. Prices of common stock react to the economic condition of the company that issued the security, industry and market conditions, and other factors which may fluctuate widely. Investments related to the value of stocks may rise and fall based on an issuer's actual and anticipated earnings, changes in management, the potential for takeovers and acquisitions, and other economic factors. Similarly, the value of other equity-related securities, including preferred stock, warrants, and options may also vary widely.

**Small- and Mid-Cap Risks.** Certain ETFs and mutual funds hold securities of small- and mid-cap issuers. Securities of small-cap issuers may present greater risks than those of large-cap issuers. For example, some small- and mid-cap issuers often have limited product lines, markets, or financial resources. They may be subject to high volatility in revenues, expenses, and earnings. Their securities may be thinly traded, may be followed by fewer investment research analysts, and may be subject to wider price swings and thus may create a greater chance of loss than when investing in securities of larger-cap issuers. The market prices of securities of small- and mid-cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments, and to market rumors than are the market prices of large-cap issuers.

**Highly Volatile Markets.** The prices of financial instruments can be highly volatile. Price movements of forward and other derivative contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Clients are also subject to the risk of failure of any of the exchanges on which their positions trade or of its clearinghouses.

**Non-U.S. Securities.** Certain ETFs and mutual funds hold securities of non-U.S. issuers. Investments in securities of non-U.S. issuers pose a range of potential risks which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, political or social instability, illiquidity, price volatility, and market manipulation. In addition, less information may be available regarding securities of non-U.S. issuers, and non-U.S. issuers may not be subject to accounting, auditing and financial reporting standards, and requirements comparable to or as uniform as those of U.S. issuers.

**Emerging Markets.** Certain ETFs and mutual funds hold securities of emerging markets issuers. In addition to the risks associated with investments outside of the United States, investments in emerging markets (i.e., the developing countries) may involve additional risks. Emerging markets generally are not as efficient as those in developed countries. In some cases, a market for the

security may not exist locally, and transactions will need to be made on a neighboring exchange. Volume and liquidity levels in emerging markets are lower than in developed countries. When seeking to sell emerging market securities, little or no market may exist for the securities. In addition, issuers based in emerging markets are not generally subject to uniform accounting and financial reporting standards, practices, and requirements comparable to those applicable to issuers based in developed countries, thereby potentially increasing the risk of fraud or other deceptive practices.

**Capitalization Risks.** Investing in Companies within the same market capitalization category carries the risk that the category may be out of favor due to current market conditions or investor sentiment.

**Market Risks.** Turbulence in the financial markets and reduced liquidity may negatively affect the Companies, which could have an adverse effect on each of them. If the securities of the Companies experience poor liquidity, investors may be unable to transact at advantageous times or prices, which may decrease the Company's returns. In addition, there is a risk that policy changes by central governments and governmental agencies, including the Federal Reserve or the European Central Bank, which could include increasing interest rates, could cause increased volatility in financial markets, which could have a negative impact on the Companies. Furthermore, local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, recessions, or other events could have a significant impact on the Companies. For example, the rapid and global spread of a highly contagious novel coronavirus respiratory disease, designated COVID-19, has resulted in extreme volatility in the financial markets and severe losses; reduced liquidity of many Companies' securities; restrictions on international and, in some cases, local travel; significant disruptions to business operations (including business closures); strained healthcare systems; disruptions to supply chains, consumer demand and employee availability; and widespread uncertainty regarding the duration and long-term effects of this pandemic. Some sectors of the economy and individual issuers have experienced particularly large losses. In addition, the COVID-19 pandemic may result in a sustained economic downturn or a global recession, domestic and foreign political and social instability, damage to diplomatic and international trade relations and increased volatility and/or decreased liquidity in the securities markets. The Companies' values could decline over short periods due to short-term market movements and over longer periods during market downturns.

**Alternative Investments.** When appropriate for a Client's objective, risk tolerance and qualifications, WWM recommends the client participate in private issues, such as single purpose vehicles, funds of funds, private equity, and hedge funds. These are usually structured as limited partnerships with differing minimum investments, liquidity, fees and carries.

**Cybersecurity Risk.** WWM and its service providers may be subject to operational and information security risks resulting from cyberattacks. Cyberattacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cybersecurity breaches. Cybersecurity attacks affecting WWM and its service providers may adversely impact Clients. For instance, cyberattacks may interfere with the processing of transactions, cause the release of private information about Clients, impede trading, subject WWM to regulatory fines or financial losses, and cause reputational damage. Similar types of cybersecurity risks are also present for issuers of securities in which Clients may invest in, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions. Cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost and

reputational damages, and loss from damage or interruption of systems. Although WWM has established its systems to reduce the risk of these incidents from coming to fruition, there is no guarantee that these efforts will always be successful, especially considering that WWM does not directly control the cybersecurity measures and policies employed by third party service providers.

**The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment with WWM.**

### **VOTING CLIENT SECURITIES**

We do not vote client proxies for securities held in client accounts. Clients receive proxy information directly from the custodians by email or US mail and may contact us for assistance in voting on any particular issue.

### **CLIENT INFORMATION PROVIDED TO WATERWAY WEALTH MANAGEMENT (ITEM 7)**

WWM is the sole Portfolio Manager of the Program and collects and shares nonpublic information (such as financial information, investment objectives, and risk tolerance) about Clients to aid in providing appropriate and suitable investment advice. Nonpublic personal information about Clients will be shared consistent with the disclosures made on WWM's Privacy Policy.

### **CLIENT CONTACT WITH WATERWAY WEALTH MANAGEMENT (ITEM 8)**

All clients are encouraged to contact or meet on a semi-annual basis with us to review their account reports, update their client information and determine whether changes should be made to their Investment Strategy. There are no restrictions on clients to contact or consult with us regarding the Program or their accounts.

### **ADDITIONAL INFORMATION (ITEM 9)**

#### **DISCIPLINARY INFORMATION**

There have been no disciplinary actions against the Firm, our employees or Daniel Michalk.

#### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

We have no other financial industry activities or affiliations.

#### **CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

We have adopted a Code of Ethics, which describes the general standards of conduct that we expect of our personnel (collectively referred to as "employees") and focuses on three specific areas where employee conduct has the potential to adversely affect our clients: misuse of confidential information; personal securities trading and outside business activities. Failure to uphold the Code of Ethics may result in disciplinary sanctions, including termination of employment. Any client or prospective client may request a copy of our Code of Ethics, which will be provided at no cost.

The following basic principles guide all aspects of our business and represent the minimum requirements to which we expect employees to adhere:

- Clients' interests come before employees' personal interests and before our interests.



- We must fully disclose all material facts about conflicts of which we are aware between our clients and us. Employees must operate consistently with our disclosures and manage the impacts of those conflicts.
- We must not take inappropriate advantage of our positions of trust or responsibility to our clients.
- We must always comply with all applicable securities laws.

### **Misuse of Nonpublic Information**

The Code of Ethics contains a policy against the use of nonpublic information in conducting business for the Firm. Employees may not convey nonpublic information nor depend upon it in placing personal or client securities trades.

### **Personal Securities Trading**

Daniel Michalk and individuals associated with us may buy, sell, or hold in their personal accounts the same securities we recommend to our clients. Such trades may occur simultaneously with or after trades placed on behalf of clients and receive average pricing or after client trades, with clients always receiving the same or better pricing.

To avoid conflicts of interest, we have established the following policies:

- An officer, director, or employee of W/W/M shall not buy or sell securities for a personal portfolio when the decision to purchase is substantially derived, in whole or in part, because of employment with us, unless the information is also available to the investing public on reasonable inquiry. No person associated with us shall prefer his or her own interest to that of any client. Employees may participate in block trades.
- Employee accounts are preferred to be held at Fidelity, so we are able to monitor on a daily basis any trades that employees have placed in their personal accounts. If an employee account is held at another custodian, the employee is required to submit monthly statements to the COO for review.

Our Code of Ethics allows the purchase of IPOs or private placements only with prior permission from Daniel Michalk, our Chief Compliance Officer.

Employees are required to submit reports of personal securities trades on a quarterly basis, and securities holdings annually. These are reviewed by the Chief Compliance Officer to ensure compliance with our policies.

### **Outside Business Activities**

Employees are required to report any outside business activities generating revenue. If any are deemed to be in conflict with clients, such conflicts will be fully disclosed.

## **REVIEW OF ACCOUNTS**

We attempt to meet with clients on at least an annual basis, with the meeting covering both financial plan and investment management aspects. Portfolio Managers, Financial Planners, or Investment Advisor Representatives conduct all financial plan reviews for the Firm.

Other conditions that may trigger a review of Clients' accounts are market volatility, drift from target allocation, changes in the tax laws, new investment information, and changes in a Client's own situation.

Clients are given access to written account statements no less than quarterly for managed accounts. Account statements are issued by the Client's custodian. Client receives confirmations of each transaction in account from Custodian and an additional statement during any month in which a transaction occurs. WWM may also send periodic or other event-inspired reports based on market or portfolio activity. Reports will generally be provided in electronic format.

#### **CLIENT REFERRALS AND OTHER COMPENSATION**

We do not compensate any person outside the Firm directly or indirectly for client referrals.

#### **FINANCIAL INFORMATION**

There is no financial condition that is reasonably likely to impair our ability to meet our contractual commitments to our clients. We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

<b>FACTS</b>	WHAT DOES <b>WATERWAY WEALTH MANAGEMENT</b> DO WITH YOUR PERSONAL INFORMATION?
<b>Why?</b>	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share and protect your personal information. Please read this notice carefully to understand what we do.
<b>What?</b>	<p>The types of personal information we collect and share depend on the product or service you have with us. This information can include:</p> <ul style="list-style-type: none"> <li>• Social Security Number and driver's license number</li> <li>• Account balances and income</li> <li>• Credit and payment history</li> </ul> <p>When you are no longer our client, we continue to share your information as described in this notice.</p>
<b>How?</b>	All financial companies need to share client's personal information to run their everyday business. In the section below, we list the reasons financial companies can share their client's personal information; the reasons Waterway Wealth Management, L.L.C. chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information.	Does Waterway Wealth Management share?	Can you limit this sharing?
<b>For our everyday business purposes</b> - such as to process your transactions, maintain your transactions, maintain your account(s), respond to court orders and legal investigations or to report to credit bureaus.	Yes	No
<b>For our marketing purposes</b> - to offer our products and services to you.	No	N/A
<b>For joint marketing with other financial companies.</b>	No	N/A
<b>For our affiliates' everyday business purposes</b> - information about your transactions and experiences.	N/A	N/A
<b>For our affiliates to market to you.</b>	N/A	N/A
<b>For our non-affiliates to market to you.</b>	No	N/A

<b>Questions?</b>	Call 281.363.0000
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Who we are	
Who is providing this notice?	Waterway Wealth Management, L.L.C.
What we do	
How does Waterway Wealth Management, L.L.C. protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
How does Waterway Wealth Management, L.L.C. collect my personal information?	<p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"> <li>• Open or close an account</li> <li>• Authorize a trade or authorize a direct fee-deduction</li> <li>• Authorize to raise cash</li> <li>• Have a financial plan prepared</li> </ul> <p>We may also collect your personal information from other companies.</p>
Why can't I limit all sharing?	<p>Federal law gives you the right to limit only</p> <ul style="list-style-type: none"> <li>• Sharing for affiliates' everyday business purposes - information about your credit worthiness</li> <li>• Affiliates from using your information to market to you</li> <li>• Sharing for non-affiliates to market to you</li> </ul> <p>State laws and individual companies may give you additional rights to limit</p>
Definitions	
Affiliates	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <p><i>Waterway Wealth Management, L.L.C. has no affiliates.</i></p>
Non-affiliates	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <p><i>These include broker/dealers, mutual fund companies, insurance companies and other financial institutions.</i></p>
Joint marketing	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <p><i>Waterway Wealth Management, L.L.C. does not do joint marketing.</i></p>

**Daniel Michalk, Managing Member**

