

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

**21 Waterway, Suite 400  
The Woodlands, TX 77380  
281-363-0000  
[www.waterwaywealth.com](http://www.waterwaywealth.com)**

Branch Office:  
8300 Carmel Avenue NE, Suite 103  
Albuquerque, NM 87122  
505-275-2436

February 2014

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.

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**

Since the last annual amendment of the Form ADV 2A, which occurred in January 2013, the following material change has occurred:

In December 2013, Waterway Wealth Management opened a branch office in Albuquerque, New Mexico.

## TABLE OF CONTENTS

Services, Fees and Compensation .....	1
Services .....	1
Advisory Firm Description .....	1
Wrap Fee Program Description .....	1
Fees and Compensation .....	2
Program Fees.....	2
Comprehensive Wealth Management Fees .....	3
Fee Comparison.....	3
Additional Costs .....	3
Other Compensation for Participation in Wrap Fee Program .....	3
Portfolio Requirements and Types of Clients .....	4
Portfolio Requirements.....	4
Types of Clients .....	4
Portfolio Manager Selection and Evaluation .....	5
Additional Firm Information .....	5
Performance-Based Fees and Side-by-Side Management.....	5
Methods of Analysis, Investment Strategies and Risk of Loss.....	5
Voting Client Securities .....	5
Client Information Provided to Waterway Wealth Management.....	5
Client Contact with Waterway Wealth Management .....	6
Additional Information .....	6
Disciplinary Information .....	6
Other Financial Industry Activities and Affiliations .....	6
Code of Ethics, Participation in Client Transactions and Personal Trading .....	6
Misuse of Nonpublic Information .....	7
Personal Securities Trading .....	7
Outside Business Activities .....	7
Review of Accounts.....	8
Client Referrals and Other Compensation .....	8
Financial Information .....	8
Client Assets Under Management.....	8
Termination .....	8

## SERVICES, FEES AND COMPENSATION

### SERVICES

#### Advisory Firm Description

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

#### Wrap Fee Program Description

The WWM Wrap Fee Program (the "Program") is a fee-only investment management program sponsored by WWM. The Program provides families, individuals, pension and profit sharing plans, trusts, estates, charitable organizations and business entities 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.

WWM's 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.
- Ongoing support:
  - Support to the client for the investment account establishment and/or transfer assistance.
  - Portfolio monitoring.
- Quarterly reports.

#### Comprehensive Wealth Management

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

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

Because of the differing nature of each family's needs, this service is provided on a proposal basis, where the Firm outlines to the family (or individual) what will be provided 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.

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

## **FEES and COMPENSATION**

### **Program Fees**

Clients in the Program pay a single annualized fee for participation in the Program (the "Program Fee") as shown in the table below. The Program Fee is negotiable and may be adjusted based on the complexity of each client's individual situation. For existing clients, WWM's fee for investment advisory services is assessed at the annual rate shown on the client's agreement. Some clients were "grandfathered" at different rates and different minimums than shown below as a result of prior relationships. Therefore, WWM may provide the same service to clients at different levels of fees. Accounts owned by members of the same family (often extended family) are usually aggregated in order to grant the lowest fee to all family members, generally with a family minimum of \$1,000,000 of assets under management. Fees are deducted from each member's account on a pro rata basis. WWM's fee structure for new clients follows:

Assets Under Management	Annual Wrap Program Fee
\$1,000,000 to \$3,000,000	1.00%
\$3,000,001 to \$5,000,000	0.90%
Greater than \$5,000,000	0.75%

Fees are generally billed quarterly in advance at the rate of one fourth of the annual fee shown above, with the rate based on the aggregate value of all accounts belonging to a family. Fees charged to each account for the next quarter are calculated based on the portfolio valuation, including 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 based upon the initial value of the assets in the account and the number of days remaining in the calendar quarter. This fee calculation is computed by Black Diamond, the Firm's portfolio management software, which receives a daily valuation of securities from Fidelity Investments or an independent pricing service.

WWM's Investment Advisory Agreement and the client's agreement with the custodian may authorize the custodian to deduct the Program Fee from the client's account and remit it directly to WWM. 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 WWM. 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. The Firm may direct the movement of funds from one account in the client's name to another account in the client's name, but has no access to funds or securities except for this deduction of fees.

### **Comprehensive Wealth Management Fees**

Because of the differing nature of each family's needs, this service is provided on a proposal basis, where the Firm outlines to the family (or individual) what will be provided 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 number of transactions made in the client's account, as well as the commissions charged for each transaction, will determine the relative cost of the Program versus paying for execution on a per-transaction basis and paying a separate fee for advisory services. The Program Fee may be higher or lower than fees charged by other sponsors of comparable investment advisory programs. WWM receives the entire Program Fee, and then reimburses the broker/dealer for the transaction fees a client's account incurred (if any) during the prior quarter. Thus, WWM receives and retains the majority of the quarterly Program Fee. WWM offers only the Program Fee to its clients in order to eliminate client concerns regarding variable transaction costs.

### **Additional Costs**

The Program Fee includes transaction fees, but is separate from all other account fees including exchange, wire transfer or margin interest fees charged by the custodian.

When WWM recommends a mutual fund for a client's account, two separate fees may be charged to the client, either directly or indirectly. The first fee is WWM's investment management fee where the fund is included in the asset base for the quarterly fee calculation. The second 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. (This set of fees also applies to any ETF or money market fund purchased in the client's account.)

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

WWM recommends various qualified custodians for clients. WWM has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides WWM with

"institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist WWM in managing and administering clients' accounts 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 WWM manage and further develop its 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 WWM may contract directly. WWM receives these benefits as a result of its clients' relationships with Fidelity, but has no formal soft dollar arrangements and receives no compensation from Fidelity. These benefits provided by Fidelity might assist WWM with its administration of client accounts, and thus slightly help its profitability, creating a potential conflict of interest with clients. WWM believes this is not a material conflict.

WWM is independently operated and owned and is not affiliated with Fidelity.

WWM recommends Fidelity as a "qualified custodian" for clients' accounts, with each client signing a separate agreement with Fidelity. In recommending a custodian, WWM considers 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 both WWM and its clients. WWM recognizes its responsibility to attain best execution and recognizes that limiting its custodial relationships may affect its ability to provide best execution on a trade-by-trade basis. However, WWM evaluates its entire custodial relationship in assessing best execution on a client-by-client basis.

## **PORTFOLIO REQUIREMENTS AND TYPES OF CLIENTS**

### **PORTFOLIO REQUIREMENTS**

WWM prefers an initial minimum investment amount, generally aggregating all accounts belonging to a set of family members, of \$1,000,000. WWM reserves the right to waive or lower this minimum. The Firm's Albuquerque branch office reserves the right to lower the account minimum for services to be provided at the branch location.

### **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, estates or charitable organizations, and
- corporations or other business.

## **PORTFOLIO MANAGER SELECTION AND EVALUATION**

WWM is the only portfolio manager for the Program described in this wrap fee program brochure. WWM does not offer access to additional portfolio managers, but offers one fee to its clients in order to eliminate concerns regarding variable transaction costs. To the extent that WWM receives the Program Fee as a result of recommending itself, the Firm is in a conflict of interest with its clients.

## **ADDITIONAL FIRM INFORMATION**

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

WWM does not receive performance-based fees on any accounts. Side-by-side management would apply if the Firm managed both accounts paying such fees and accounts not paying performance fees.

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

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. Asset allocation is the major differentiation between strategies. Diversification is accomplished within asset categories by varying sectors, time horizons and income production. Risks vary accordingly, although all accounts are subject to market risk. Investing in securities involves risk of loss that clients should be prepared to bear.

### **VOTING CLIENT SECURITIES**

WWM does 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 WWM for assistance in voting on any particular issue.

## **CLIENT INFORMATION PROVIDED TO WATERWAY WEALTH MANAGEMENT**

After an analysis of the information provided by the client, WWM assists the client in developing an appropriate investment strategy for the assets in his/her account (the



“Investment Strategy”). Thereafter, clients are contacted periodically and are requested to provide WWM with information regarding changes to their financial situation or investment objectives. WWM periodically reassesses the current Investment Strategy based on any other information provided by the client regarding his/her client profile.

The agreement that clients enter with WWM provides that the client grants WWM complete discretion (through a limited power of attorney) to determine both the securities purchased and sold and the amounts of those purchases and sales. Clients may place restrictions on WWM’s discretion in writing.

## **CLIENT CONTACT WITH WATERWAY WEALTH MANAGEMENT**

All clients are encouraged to contact or meet on a semi-annual basis with WWM 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 WWM regarding the Program or their accounts.

## **ADDITIONAL INFORMATION**

### **DISCIPLINARY INFORMATION**

There have been no disciplinary actions against WWM or Daniel Michalk nor any individuals associated with the Firm.

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

WWM has no other financial industry activities or affiliations.

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

WWM has adopted a Code of Ethics which describes the general standards of conduct that the Firm expects of all Firm 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 confidential information; personal securities trading and outside business activities. Failure to uphold the Code of Ethics may result in disciplinary sanctions, including termination with the Firm. Any client or prospective client may request a copy of the Firm’s Code of Ethics which will be provided at no cost. The following basic principles guide all aspects of the Firm’s business and represent the minimum requirements to which the Firm expects employees to adhere:

- Clients’ interests come before employees’ personal interests and before the Firm’s interests.
- The Firm must fully disclose all material facts about conflicts of which it is aware between the Firm and its employees’ interests on the one hand and clients’ on the other.

- Employees must operate on the Firm's behalf and on their own behalf consistently with the Firm's disclosures and to manage the impacts of those conflicts.
- The Firm and its employees must not take inappropriate advantage of their positions of trust with or responsibility to clients.
- The Firm and its 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 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 the Firm may buy, sell or hold in their personal accounts the same securities the Firm recommends to its 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, the Firm has established the following policies:

- An officer, director or employee of WWM shall not buy or sell securities for a personal portfolio when the decision to purchase is substantially derived, in whole or in part, by reason of employment with the Firm, unless the information is also available to the investing public on reasonable inquiry. No person associated with WWM shall prefer his or her own interest to that of any client. Employees may participate in block trades.
- Employee accounts must be held at Fidelity, so the Firm is able to monitor on a daily basis any trades that employees have placed in their personal accounts.

The Firm's Code of Ethics allows the purchase of IPOs or private placements only with prior permission from Daniel Michalk, the Firm's Chief Compliance Officer. Clients may request to review a copy of the Firm's Code of Ethics, which contains the employee trading policy.

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 the Firm's 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**

Daniel Michalk, Managing Member, conducts all client portfolio reviews for The Woodlands office. David Michalk, Investment Advisor Representative, conducts all client portfolio reviews for the Albuquerque branch office. Reviews are conducted as a matter of course at least quarterly and consist of looking at portfolio holdings, cash flows, and market activity in light of client objectives. Additional reviews may be triggered by events such as a client meeting, change in a client's risk tolerance, financial position or investment objective, change in a company or fund's management, unusual market or economic circumstances or other unforeseen events.

The Firm provides clients with quarterly written/electronic statements of portfolio holdings. The custodian provides detailed written statements of realized gains/losses.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

WWM does 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 WWM's ability to meet its contractual commitments to its clients.

### **Client Assets Under Management**

As of December 31, 2013, WWM's Program had \$160,117,047 of discretionary assets under management.

### **Termination**

The typical Program agreement WWM enters into with clients allows for either party to terminate the agreement immediately upon receipt of written notice. The client may terminate the agreement without penalty or fees within five (5) business days after entering the agreement. Otherwise, at the date of termination, the Firm agrees to refund any prepaid unearned fees to the client on a pro rata basis. Any fees due to outside parties will be paid promptly by the client. The Firm will provide clients of the Program services with summary statements on a year-to-date basis upon termination.

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

**21 Waterway, Suite 400  
The Woodlands, TX 77380  
281-363-0000  
www.waterwaywealth.com**

Branch Office:  
8300 Carmel Avenue NE, Suite 103  
Albuquerque, NM 87122  
505-275-2436

February 2014

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.

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**

Since the last annual amendment of the Form ADV 2A, which occurred in January 2013, the following material change has occurred:

In December 2013, Waterway Wealth Management opened a branch office in Albuquerque, New Mexico.

## Table of Contents

Advisory Business.....	1
Fees and Compensation .....	1
Performance-Based Fees and Side-By-Side Management .....	2
Types of Clients .....	2
Methods of Analysis, Investment Strategies and Risk of Loss.....	2
Disciplinary Information.....	3
Other Financial Industry Activities and Affiliations .....	3
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	3
Brokerage Practices.....	4
Review of Accounts.....	4
Client Referrals and Other Compensation .....	4
Custody .....	5
Investment Discretion.....	5
Voting Client Securities .....	5
Financial Information.....	5

## ADVISORY BUSINESS

### Advisory Firm Description

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

### Types of Advisory Services

#### *Financial Planning Services*

Financial planning advice will typically involve providing a variety of services to clients regarding the management of their financial resources based upon an analysis of their individual needs. The Firm will first conduct a complimentary initial consultation during which pertinent information about the client's financial circumstances and objectives is collected. The information normally covers, but is not limited to, present and anticipated assets and liabilities, retirement goals, investment horizon, financial needs and cost of living needs. Once such information has been reviewed and analyzed, the Firm produces and presents to the client a written financial plan designed to achieve the client's stated financial goals and objectives.

#### *Investment Advisory Services*

WWM also offers investment advisory services, which are separately disclosed in the Firm's Wrap Fee brochure.

### Client Assets Under Management

As of December 31, 2013, the Firm had \$160,117,047 of discretionary assets under management.

## FEES AND COMPENSATION

WWM utilizes the following financial planning fee schedule, subject to negotiation depending on the nature, complexity and time involved in providing the client with requested services:

#### *Fixed Fees*

WWM will charge a fixed fee, which typically ranges between \$2,500 and \$10,000 for comprehensive financial planning services. This fee may be negotiated and 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, WWM will notify the client and may request that the client pay an additional fee.

### *Hourly Fees*

WWM charges 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.

### **Termination**

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

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

WWM does not charge any performance-based fees or engage in side-by-side management.

## **TYPES OF CLIENTS**

WWM provides investment advisory services to:

- Individuals
- High net worth individuals
- Pension and profit sharing plans
- Trusts, estates or charitable organizations
- Corporations and other businesses

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

WWM does not invest for clients in its financial planning role.

The financial planning process involves the collection, organization and assessment by WWM 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 WWM 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 to WWM. WWM 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 WWM 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 temperament, time horizon and portfolio allocation.

#### **DISCIPLINARY INFORMATION**

There have been no disciplinary actions against WWM or Daniel Michalk.

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

WWM has no other financial industry activities or affiliations.

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

##### **Code of Ethics**

WWM has adopted a Code of Ethics which describes the general standards of conduct that the Firm expects of all Firm 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 with the Firm. Any client or prospective client may request a copy of the Firm's Code of Ethics which will be provided at no cost.

The following basic principles guide all aspects of the Firm's business and represent the minimum requirements to which the Firm expects employees to adhere:

- Clients' interests come before employees' personal interests and before the Firm's interests.
- The Firm must fully disclose all material facts about conflicts of interest of which it is aware between itself and clients as well as between Firm employees and clients.
- Employees must operate on the Firm's behalf and on their own behalf consistently with the Firm's disclosures and to manage the impacts of those conflicts.
- The Firm and its employees must not take inappropriate advantage of their positions of trust with or responsibility to clients.

- The Firm and its 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 business for the Firm. Employees may not convey nonpublic information nor depend upon it in placing personal or recommending clients' securities trades.

#### *Personal Securities Trading*

WWM or individuals associated with the Firm may buy, sell or hold in their personal accounts the same securities the Firm recommends to its clients. This creates a potential conflict of interest with the possibility of Firm 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 Daniel Michalk, the Firm's Chief Compliance Officer. The Firm does not allow front running.

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 the Firm's 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**

In its financial planning role, the Firm does not recommend brokers for clients.

### **REVIEW OF ACCOUNTS**

Daniel Michalk, Managing Member, or Robert Dwyer, Sr. Financial Planner, conducts all financial plan reviews for The Woodlands office. David Michalk, Investment Advisor Representative, reviews financial plans for the Albuquerque branch office. A customized written financial plan is produced and presented to each client, with the exception of hourly consultations, which may or may not result in a written document.

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

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

#### **CUSTODY**

The Firm does not manage accounts in its financial planning role so does not have custody.

#### **INVESTMENT DISCRETION**

The Firm does not manage accounts in its financial planning role so does not have investment discretion.

#### **VOTING CLIENT SECURITIES**

In its financial planning role, the Firm does not vote proxies for clients.

#### **FINANCIAL INFORMATION**

There is no financial condition that is reasonably likely to impair the Firm's ability to meet its contractual commitments to its clients.