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Waterway Wealth Management, L.L.C.

ADV 2A (Firm Brochure for financial planning)

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

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(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.

Additional information about Waterway Wealth Management, L.L.C. also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes (Item 2)

The last annual update of this brochure was in March 2019. Since that update the following material changes have occurred to our business:

April 2019

We moved our Woodlands office to a new floor in our same building. Our new address is:

21 Waterway, Suite 500

The Woodlands, TX 77380

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ADVISORY BUSINESS (ITEM 4)

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. The WWM Wrap Fee Program (the “Program”) is a fee-only investment management program sponsored by WWM, and in which it pays for all transaction expenses the custodian charges accounts the Firm manages. *Please see the Wrap Fee brochure for particulars of this Program.*

Client Assets Under Management

As of December 31, 2018, the Firm had \$295,950,356 of discretionary assets under management.

FEES AND COMPENSATION (ITEM 5)

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 \$3,500 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, 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.

Wrap 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. 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 and clients may direct us to deduct fees from a different account. 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 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 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.

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 some clients may be paying 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 the Firm manages. Deferred sales charges, odd-lot differentials, transfer taxes and other fees 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 WWM recommends 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 WWM's 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.

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 (ITEM 6)

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

TYPES OF CLIENTS (ITEM 7)

WWM provides investment advisory services to:

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

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

WWM does not invest for clients in its 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 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 tolerance, time horizon and portfolio allocation.

DISCIPLINARY INFORMATION (ITEM 9)

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

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS (ITEM 10)

WWM has no other financial industry activities or affiliations.

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

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 (ITEM 12)

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

For the 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"). 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. The Firm prefers 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 the Firm and to its clients.

Fidelity provides WWM with "institutional platform services." These services provided by Fidelity include, among others, brokerage, custody and other related services. The 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.

Schwab provides WWM with access to its 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 to them so long as a total of at least \$10 million of WWM's 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, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For WWM client accounts maintained in its custody, Schwab generally does not charge separately for custody services but 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 WWM other products and services that benefit WWM but may not benefit its clients' accounts. These benefits may include national, regional or WWM specific educational events organized and/or sponsored by Schwab Advisor Services. Other potential benefits may include occasional business entertainment of personnel of WWM by Schwab Advisor Services personnel, including meals, some of which may accompany educational opportunities. Other of these products and services assist WWM in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of WWM's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of WWM's accounts, including accounts not maintained at Schwab Advisor Services.

Schwab Advisor Services also makes available to WWM other services intended to help WWM manage and further develop its business enterprise. These services may include professional

compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to WWM by independent third parties. Schwab Advisor Services may, but is not currently, discounting or waiving 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, WWM endeavors to act in its clients' best interests, WWM's recommendation/requirement that clients maintain their assets in accounts at Schwab may be based in part on the benefit to WWM 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 WWM's 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. WWM is independently operated and owned and is not affiliated with Fidelity or Schwab.

WWM recommends Fidelity or Schwab as a "qualified custodian" for clients' accounts, with each client signing a separate agreement with Fidelity or Schwab. 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.

REVIEW OF ACCOUNTS (ITEM 13)

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 (ITEM 14)

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

CUSTODY (ITEM 15)

Additionally, several clients have established standing instructions with Schwab or Fidelity which allow clients to direct Waterway to send funds from their account to other accounts with written instructions from the client. WWM has been determined to 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.

INVESTMENT DISCRETION (ITEM 16)

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

VOTING CLIENT SECURITIES (ITEM 17)

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

FINANCIAL INFORMATION (ITEM 18)

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