



ITEM I: Cover Page

## DISCLOSURE BROCHURE (FORM ADV PART II)

*The following contains information filed with the State of Washington in Form ADV part II.*

This brochure provides information about the qualifications and business practices of WaterRock Global Asset Management, LLC ("WaterRock"). WaterRock is a Registered Investment Advisor (RIA) with the States of Washington, Florida, Oregon, and California. If you have any questions about the contents of this brochure, please contact us at 425-698-1463 or [clientservice@waterrockglobal.com](mailto:clientservice@waterrockglobal.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additionally, investors should not view the term "Registered Investment Advisor" as implying a certain level of skill or training.

Additional information about WaterRock also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for WaterRock (#151309 )

**WATERROCK**  
GLOBAL ASSET MANAGEMENT LLC

**WaterRock Global Asset Management, LLC.**

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ITEM 2: Material Changes

The SEC adopted "Amendments to Form ADV" in July, 2010. This brochure, dated April 15, 2016 is our new disclosure document prepared according to the SEC's new requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that registered investment advisors were not previously required to disclose.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

WaterRock is registered in Washington, Florida, Oregon, and California.

Material Changes Summary

- WaterRock has been acquired by WRGAM LLC a wholly owned Limited Liability Company of Adam Droker
- Effective November 10<sup>th</sup>, 2014 Robert "Jason" Semone is no longer affiliated with WaterRock or any of its subsidiaries.



**WATERROCK**  
GLOBAL ASSET MANAGEMENT LLC

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#### ITEM 4: Advisory Business

##### WATERROCK GLOBAL ASSET MANAGEMENT, LLC.

WaterRock Global Asset Management, LLC was founded in July of 2009 by founder Jason D. Semone. On November 7<sup>th</sup>, 2014 Jason sold his interest to WRGAM LLC a pass through entity owned by Adam Droker who acts as sole owner and Chief Investment Officer of WaterRock Global Asset Management LLC. WaterRock Global Asset Management LLC is a registered investment advisor with the state(s) of Washington, Florida, Oregon, and California and is based in Bellevue Washington. The following information helps describe our services, how we work with clients, and investment advisory fees. Our services include:

##### Advisory Services

###### Investment Advisory Services

Our Investment Advisory Services includes services such as investment analysis, portfolio analysis, investment consultation and advisement.

###### Educational Seminars/Workshops

Occasionally WaterRock, its investment advisor representatives, or third party partners may offer educational opportunities. This service is offered at no cost to the client.

###### Portfolio Management

We offer portfolio models comprised of stocks, bonds, options, mutual funds, and exchange traded funds (ETFs). Our portfolio models are limited to our discretionary portfolio management and typically limited to these types of investments. Clients may select from investment strategies based on passive, tactical or actively managed portfolio models designed to target specific client objectives. We offer our portfolio management services through three types of fee structures; fee-based, hourly and a performance-based fee.

*With different fee structures, it is possible for two clients to have the same model but different fee structures. This can create an inherent conflict of interest, since portfolio management fees and transactions costs can be received in different ways. For example, under a fee-based relationship, the client pays for trade fees and WaterRock retains 100 percent of the fee. Under a performance-fee relationship, WaterRock may pay for trade fees and retains 75 to 85 percent of the fee. For this reason, we maintain investment and trade allocation policies and procedures designed to address such conflicts of interest. (Please refer to Item 5: Fees & Compensation for more details)*

###### Wealth Management

Our wealth-management services include collecting and organizing your financial data; developing your income and net-worth statements; analyzing your estate, estate taxes and income taxes; and managing your portfolio.

###### How we work with clients

WaterRock's investment advice is tailored to meet your needs and investment objectives. If you retain our firm, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information at the beginning of our advisory relationship. We will use the information we gather from our initial meeting to develop a strategy that enables our firm to give you continuous and focused investment advice. All information and advice furnished by either party to the other shall be treated as confidential and shall not be disclosed to third parties except as provided by the Privacy policy set forth in Exhibit B and as allowed by law.

As part of our portfolio management services, we may customize an investment portfolio for you in accordance with your risk tolerance and investing objectives. Once we construct an investment portfolio for you we will monitor your portfolio's performance on an ongoing basis, and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances.

Sometimes a conflict exists between the interests of the investment adviser and the interests of the client, the client is under no obligation to act upon the investment adviser's recommendation, and if the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through the investment adviser. We do not offer a wrap fee program.

#### Assets Under Management

As of January 28, 2016, we manage approximately \$15,500,000 in client assets; approximately \$15,500,000 on a discretionary basis.

#### ITEM 5: Fees & Compensation

##### General Fee Information

WaterRock offers several types of fees structures depending on the services we offer to clients. Fees are determined based on type of services rendered, overall portfolio servicing and selection of specific portfolio models.

##### Discretionary Accounts

Our discretionary portfolio management programs are offered in two ways: through asset-based fees and performance-based fees. An asset-based fee is calculated as a percentage of the account's market value. A performance-based fee is only for qualified investors and pays out a percentage of the account's market value (based on a "high-water mark" or "hurdle rate") and a percentage of capital gains (see Item 6: Performance-Based Fees and Side-By-Side Management for more details). A high-water mark is where a performance fee is only charged when the value of a portfolio is above a historical "high-water mark" value. A hurdle rate is a level of return the portfolio must best before it can charge a performance fee.

Discretionary account fees are deducted from client accounts monthly or quarterly in arrears on the last day of the month or quarter. Performance-based fees may be billed monthly, quarterly, semi-annually or annually, depending on the Investment Advisory Agreement finalized between WaterRock and clients or prospective clients. We deduct our advisory fee only after you have given written authorization. Fee calculations are based on the asset value information provided by the client's account custodian and will be charged within five (5) business days on an end-of-month basis. For partial periods, our advisory fee will be pro-rated.

Financial Planning Services are we typically charge an hourly rate fee or flat rate fee services, investment planning, and portfolio analysis, retirement planning services, insurance planning, and other financial planning. Such fees are collected after services are rendered. Clients will receive an invoice for stating services delivered and amount due. Flat fees or hourly fees (if applicable) will be charged based on planning services rendered, project time, and other services provided.

##### Additional Fees and Expenses

As part of our investment advisory services, provided to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You may also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this Brochure.

##### Other important fee disclosures:

- Fees may be discounted or negotiated at the sole discretion of Principal, Adam Droker.
- WaterRock does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.

- WaterRock may adjust its fee for any year by giving written notice to the client at least 30 days before the beginning of such year.
- Clients of WaterRock also have the option to purchase investment products that we recommend through other brokers or agents that are not affiliated with WaterRock.
- Note some clients may be under historically different fee schedules.
- Lower fees for comparable services may be available from alternate providers.

### WaterRock's Fee Schedule

#### Asset-Based Fee Schedule

<u>Account Assets Under Management</u>	<u>Applicable Fee Range</u>
\$00.00 – 49,999.99	3.00% (maximum)
\$50,000 – 99,999.99	3.00% (maximum)
\$100,000 – 4,999,999.99	3.00% (maximum)
\$5,000,000 – 9,999,999.99	1.99% (maximum)
\$10,000,000+	1.50% (maximum)

\*Fee ranges are based on client's needs, required amount of work and type of portfolio model selected. WaterRock offers three main types of portfolio model strategies: passive, tactical and active models. For example, a client seeking passive asset management would be at the lower end of the range compared to an actively managed account.

#### Performance Based Fee Schedule

<u>Account Assets Under Management</u>	<u>Applicable Fee Range</u>
<i>-Asset-Based Fee</i>	
\$00.00 – 99,999.99	2.00% (maximum)
\$100,000 – 4,999,999.99	2.00% (maximum)
\$5,000,000 – 9,999,999.99	1.50% (maximum)
\$10,000,000+	1.00% (maximum)

*-Performance Based Fee:* 5.00% – 20.00% \*

\*Percent of net profit over a period of time not less than one year and will be calculated based on the comparing the high watermark with the year end closing value of the account or household. All performance based fees will be based on the year end closing valuation on December 31<sup>st</sup>. Fees may only be deducted once per year. Asset based fee & Performance based fee may be negotiated depending on clients' needs and goals. For example, one client may choose a higher Asset based fee with a lower Performance base fee. While another client may choose a higher performance based fee with a lower Asset based fee. CA residents performance based fees will only be charged in accordance with CCR Section 260.234.

#### Flat and Hourly Based Fee Schedule

Our Flat and Hourly based fees are calculated and charged on an hourly basis at the start of the advisory relationship. (\$250.00 Maximum)

#### Flat/Fixed & Hourly Charges:

\*Flat Fees are determined based on services to be provided. Fees are not contingent and are not affected by assets placed in fee-based accounts. At no time will the client be required any prepayment of greater than \$500 for investment or financial planning services delivered more than six (6) months in advance. The client will be provided an estimate of hours required to fulfill the planning project. Fee is a per hour rate:

- \$125.00 – Associate Advisor/Administration Assistant Fee
- \$250.00—Investment Advisor Fee Flat/Fixed Fee range:
- 500.00-25,000.00-Flat/Fixed fee range

#### Termination

Either party may terminate the agreement at any time by providing written notice to the other party. The client will incur charges for bona fide advisory services rendered to the point of termination and such fees will be due and payable by the client. Since fees are paid arrears, no proration of fees will occur upon termination of the agreement and will be based according to the number of days for which we provided our investment advisory services during the month. WaterRock reserves the right to refuse providing advisory services at any asset level for any reason.

## ITEM 6: Performance-Based Fees and Side-By-Side Management

### Performance-Based Fees

Performance-based fees are based on formulas that include the amount of assets under management and the extent to which the assets performed relative to a specific predetermined benchmark. The fees are charged based on a period of time not less than 1 year. Performance includes both realized and unrealized gains and losses.

### Side-By-Side Management

Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. There are conflicts of interest present when charging performance-based fees as we have an incentive to make riskier, more speculative investments than would be the case in the absence of these fees or place more favorable investments in such accounts.

### Inherit Conflicts of Interest

Because side-by-side management can create inherit conflicts of interest, WaterRock only offers performance-based fees as an optional fee relationship on selected models that are typically aggressive in nature. Only a qualified Investor who meets certain criteria (see below), may participate in such a fee relationship. To help address these potential conflicts of interest, WaterRock maintains investment and trade allocation policies and procedures designed to address such conflicts of interest. When a conflict exists between the interests of the investment adviser and the interests of the client, the client is under no obligation to act upon the investment adviser's recommendation, and if the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through the investment adviser.

\*A qualified Investor is an individual who has assets under managements of \$1,000,000 or have a net worth of \$2,000,000. Additionally, the value of a person's primary residence will not be included in the asset calculation for the purposes of net worth test.

\*A performance-based fee is only for qualified investors and pays out a percentage of the account's market value (based on a "high-water mark" or "hurdle rate") and a percentage of capital gains (see Item 6: Performance-Based Fees and Side-By-Side Management for more details). A high-water mark is where a performance fee is only charged when the value of a portfolio is above a historical "high-water mark" value. A hurdle rate is a level of return the portfolio must best before it can charge a performance fee.

## Item 7 Types of Clients

### Types of Clients

WaterRock Global Asset Management, LLC, generally provides investment advice to individuals; trusts, estates or charitable organizations; pensions and profit sharing plans; corporations or business entities other than those listed above. WaterRock does not have a minimum account size at this time.

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

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

### *Methods of Analysis*

#### Fundamental Analysis

We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be a good time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

#### Technical Analysis

We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and predict potential future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly managed or financially unsound company may underperform regardless of market movement.

#### Charting

We review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

#### Cyclical Analysis

We measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

#### Quantitative Analysis

We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

#### Qualitative Analysis

We subjectively evaluate non-quantifiable factors, such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data. A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

#### Asset Allocation

Rather than focusing primarily on securities selection, we may attempt to identify an appropriate ratio of securities, fixed income, commodities and cash suitable to the client's investment goals and risk tolerance. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

#### Risks for all forms of analysis

Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and unbiased data. We are alert to indications that data may be incorrect, but there is always a risk that our analysis may be compromised by inaccurate or misleading information.

#### Investment Strategies

The investment strategies used to implement investment advice include:

- Long-term purchases (securities held at least a year)
- Short-term purchases (securities held within a year)
- Trading (securities held within 30 days)
- Short sales
- Margin transactions
- Option writing, including covered options, uncovered options and spreading strategies
- Option buying, including protective puts, protective calls and spreading strategies

#### Risk of Loss

WaterRock provides portfolio management services to clients using our stock model portfolios. Each model portfolio is designed to meet a particular investment goal. However, investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or

will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

## WaterRock's Portfolio Models

### **The Alpha Portfolio Model**

The Alpha Portfolio Model is an “active” model that uses the earnings momentum and analyst upward earnings revisions to buy stocks to fulfill an investor’s growth objective. The Alpha Model was WaterRock’s original stock model and provides clients with high-quality growth stocks. Additionally, we diversify our core stock holdings by utilizing exchange traded funds (ETFs) to gain asset allocation benefits. The model also uses various hedging instruments to protect the portfolio against market volatility. This model is an appropriate fit for an investor whose goal is buying growing companies that continually beat analysts’ expectations while remaining diversified.

### **The Element Portfolio Model**

The Element Portfolio Model is an “active” model that uses the “FireRock Element Analysis System” to buy stocks that meet our Element Ratings. FireRock Element is WaterRock’s proprietary fundamental analysis system that offers an accurate, high-quality quantitative analysis of the parameters that measure growth, value and management performance on Main Street. Additionally, we diversify our core stock holdings utilizing exchange traded fund to gain asset allocation benefits. The model also uses various hedging instruments to protect the portfolio against market volatility. This model fits an investor whose goal is buying undervalued companies with strong financials and reasonable growth expectations while remaining diversified.

### **The Hedged Dividend Income Portfolio Model**

The Hedged Dividend Income Portfolio Model is an “active” model and a semi market neutral vehicle that has income and principal protection as its primary objective, while also investing for growth. The portfolio buys high quality and high dividend-paying stocks and other securities that have a high dividend objective. Additionally, we diversify our core stock holdings utilizing ETFs to gain asset allocation benefits. The model also uses various hedging instruments to protect the portfolio against market volatility. This is the ideal alternative for those investors seeking high income with less risk.

### **The Harvest Portfolio Model**

The Harvest Portfolio Model is a “highly active” model uses short-term trading strategies and is a pure trading portfolio model /and is/ designed only for high-risk investors. While the Harvest model is a pure trading model, we do go through an extensive screen of high quality, highly rated and highly volatile stocks (Higher Beta). Additionally, the Harvest model may use exchange traded funds to gain exposure to certain asset classes like stocks, bonds, commodities, currencies and alternative asset classes. The model also uses various hedging instruments to protect the portfolio against market volatility and can be net long or short depending on market strength. This model fits an investor whose goal would be to buy investments with a high short-term gain potential while focusing on capital preservation.

### **The CORE Portfolio Model**

The CORE Portfolio Model is a “tactical” model and “core” or foundation for building a diversified portfolio. We utilize ETFs as our investment vehicles due to their specific investment objectives, transparency, low management fees and liquidity. The CORE model may tactically hedge to protect client portfolios during times of significant market corrections. The portfolio buys ETFs to help diversify across multiple asset classes while tactically weighting or over/under weighting certain asset classes to potentially reduce risk or seek higher returns. CORE models can be adapted to various risk profiles such as conservative, moderate, growth or aggressive investors.

WaterRock’s Portfolio Models that is actively traded or tactically traded. Investors should know that frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

### Types of Investments

WaterRock offers the following types of investments: equity securities, including exchanged-listed securities, securities traded over-the-counter, and foreign issuers; corporate debt securities (other than commercial paper); commercial paper; certificates of deposit; municipal securities; investment company securities, including variable life insurance, variable annuities, and mutual fund shares; United States government securities; and option contracts on securities and commodities.

However, WaterRock predominately utilizes stocks and exchange traded funds within our investment models because of their liquidity, transparency and tax efficiency. However, there are specific risks to each investment including individual security risk, diversification risks, market risk, sector risk, asset class risk, market timing risk, business risk, or sponsor risk in the case of ETFs, among other specific or unsystematic risks.

### Source of Information

WaterRock uses various sources of information to help manage client accounts, including:

- Financial newspapers and magazines
- Research materials prepared by others
- Corporate ratings services
- Timing services
- Annual reports
- Prospectuses
- Filings with the Securities and Exchange Commission
- Company press releases
- Market data provided by various vendors



### Item 9: Disciplinary Information

WaterRock Global Asset Management, LLC, has no disciplinary events to disclose.

### Item 10: Other Financial Industry Activities and Affiliations

WaterRock's Principal Adam Droker holds a Washington State Life/Health/Long Term Care/Annuity license and may be compensated for insurance sales. WaterRock does not have any relationship or arrangement that is material to our advisory business or to our clients with any of the types of entities listed below. WaterRock is not compensated from these outside organizations.

- Broker-dealer, municipal securities dealer, or government securities dealer or broker
- Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)
- Other investment adviser or financial planner
- Futures commission merchant, commodity pool operator, or commodity trading advisor
- Banking or thrift institution
- Accountant or accounting firm
- Lawyer or law firm
- Pension consultant
- Real estate broker or dealer
- Sponsor or syndicator of limited partnerships
- California Insurance Agency

WaterRock does not refer client to outside advisory firms for compensation.

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

Code of Ethics

WaterRock maintains a Code of Ethics which applies to all employees, officers and partners. As a fiduciary, we have a duty to act solely in the best interests of each of our clients. This fiduciary duty compels us to act with the utmost integrity in all dealings.

In connection with these expectations, we have established core principles of conduct for our employees. These standards are consistent with WaterRock's culture of trust, honesty, integrity, independence, pride, humility, loyalty, humor, respect, positive mental attitude and competitive spirit. Furthermore, WaterRock expects its employees to avoid potential conflicts of interest or even the appearance of such conflicts. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you.

WaterRock has adopted the CFA Institute Code of Ethics and Standards of Professional Conduct. A copy is available to any client or prospective client upon request by contacting us at 425-698-1463 or [clientservice@waterrockglobal.com](mailto:clientservice@waterrockglobal.com).

Participation or Interest in Client transactions and Personal Trading. From time to time WaterRock for itself or its principals purchases or sells securities that it also recommends to clients. Our personal trading policy sets forth standards of employee conduct and includes policies and procedures governing employee personal trading in securities. These policies assure that transactions for clients have priority over transactions in securities or other investments of which WaterRock is the beneficial owner so that such personal transactions do not adversely impact clients' interests. The personal trading policy requires employees to report their personal securities holdings and transactions.

While WaterRock believes the policies and procedures are comprehensive, there is a possibility that the procedures may not succeed in detecting violations of WaterRock's policies. At the same time, WaterRock believes that if investment goals are similar for clients and for members and employees of WaterRock, it is logical that there be a common ownership of some securities. Therefore, in order to address conflicts of interest, WaterRock has adopted a set of procedures with respect to transactions effected by its officers and employees for their "personal accounts." In order to monitor compliance with its personal trading policy, WaterRock has a monthly securities transaction reporting system for all of its Employees. For purposes of the policy, an Employee's "personal account" generally includes any account (a) in the name of the Employee, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which the Employee is a trustee or executor, or (c) which the Employee controls, including WaterRock's client accounts which the Employee controls and in which the Employee or a member of his/her household has a direct or indirect beneficial interest. WaterRock does not recommend investments products in which WaterRock has a material interest. Advisor trades must occur as part of a block trade, be completed after client trades, or be a security that is not recommended or traded by clients of WaterRock.

Item 12 Brokerage Practices

Custodian(s)

Advisor participates in the TD AMERITRADE Institutional program. TD AMERITRADE Institutional is a division of TD AMERITRADE, Inc. ("TD AMERITRADE") member FINRA/SIPC/NFA. TD AMERITRADE is an independent and unaffiliated SEC-registered broker-dealer and FINRA member. TD AMERITRADE offers to independent investment Advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD AMERITRADE through its participation in the program.

As disclosed above, Adviser participates in TD AMERITRADE's institutional customer program and Adviser may recommend TD AMERITRADE to Clients for custody and brokerage services. There is no direct link between

Adviser's participation in the program and the investment advice it gives to its Clients, although Adviser receives economic benefits through its participation in the program that are typically not available to TD AMERITRADE retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Adviser by third party vendors. TD AMERITRADE may also have paid for business consulting and professional services received by Adviser's related persons. Some of the products and services made available by TD AMERITRADE through the program may benefit Adviser but may not benefit its Client accounts. These products or services may assist Adviser in managing and administering Client accounts, including accounts not maintained at TD AMERITRADE. Other services made available by TD AMERITRADE are intended to help Adviser manage and further develop its business enterprise. The benefits received by Adviser or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD AMERITRADE. As part of its fiduciary duties to clients, the firm endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Adviser or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Adviser's choice of TD AMERITRADE for custody and brokerage services.

WaterRock "recommends" that securities be purchased through facilities of TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade"), Member FINRA/SIPC. TD Ameritrade is an unaffiliated, SEC-registered broker-dealer. TD Ameritrade offers to independent investment advisors that include custody of securities, trade execution, clearance and settlement of transactions. TD Ameritrade was selected based on lower than industry standard account fees, trade fees, commission rates, access to platform of trading tools, execution, and administrative support. WaterRock uses all such products and services for all client accounts, not just for those accounts whose commissions may be considered to have been used to pay for such services.

#### Potential Broker-Dealer & Custodian Conflicts of Interest

WaterRock may receive benefits such as assistance with conferences and educational meetings from product sponsors from TD Ameritrade through its participation in the program. WaterRock may receive fee waivers or discounts on software and online services related to the monitoring of client accounts held at TD AMERITRADE Institutional. Any research (known as "Soft Dollars") received is used for the benefit of all client accounts. Other services received from TD Ameritrade by WaterRock are not supported by client accounts.

#### Directed Brokerage

WaterRock clients typically elect to establish brokerage accounts with TD Ameritrade. TD Ameritrade maintains custody of their assets and affects trades for their accounts. In these situations, TD Ameritrade generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related fees generated through securities trades that are executed through TD Ameritrade or that settle into TD Ameritrade accounts. TD Ameritrade may assess clients a "Trade Away" fee for trades not executed through TD Ameritrade. If we believe we can achieve best execution for that particular trade at another broker-dealer, these clients will pay the trade-away fee to TD Ameritrade.

In limited circumstances and at our discretion, some clients may instruct our firm to use one or more particular brokers for the transactions in their accounts. If you choose to direct our firm to use a particular broker, you should understand that this might prevent our firm from aggregating trades with other client accounts. This practice may also prevent our firm from obtaining favorable net price and execution. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

### Block Trades

We may combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as “block trading”). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportional share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

### Investment or Brokerage Discretion

WaterRock, when given authority through our Investment Advisory Agreement, has discretion to make the following determinations without obtaining the consent of the client before the transactions are effected:

If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authority is typically granted by the Investment Advisory Agreement you sign with our firm. Discretionary portfolio management allows us as your Investment Advisor to:

- Which securities are to be bought or sold;
- The total amount of the securities to be bought or sold;
- Through which broker or dealer securities are to be bought or sold.
- WaterRock’s authority may be subject to conditions imposed by the client, examples of which may include, but not limited to:
  - The client restricts or prohibits transactions in securities of a specific industry and/or specific stocks.
  - The client directs that transactions be restricted due to personal request for any reason.

### Research and Soft Dollars

TD Ameritrade provides us with research services (“soft dollar” arrangements) in exchange for brokerage commissions. It is our policy to operate within the safe harbor of Section 28(e) of the Securities Exchange Act of 1934 when using client commissions to pay for research services that assist in our management of client accounts. Soft dollar arrangements provide a benefit to WaterRock because we do not have to produce or pay for research services received from brokers with whom we transact. Except for the research services described below, we have no other soft dollar arrangements in place at this time. Therefore, we do not direct client transactions to a particular broker-dealer in return for soft dollar benefits.

Research services received from broker-dealers include some or all of the following: oral or written reports on the economy, forecasts of future economic activity, performance of specific companies or securities, access to broker-dealer sponsored conferences and company management meetings, and other financial and investment information. Research received will not be used solely for the accounts that generated the brokerage commission, but will generally be used in managing all of our client accounts. Trades generated by the brokers involved in these soft dollar arrangements are trades conducted on an agency basis (resulting in a commission payment only to the broker-dealer). WaterRock currently DOES NOT accept commissions or client referrals from broker-dealers.

Soft dollar arrangements have the potential to create a conflict of interest between us and a client, as we may agree to pay a higher commission on a transaction than what may be charged by another broker who has not provided us with research. However, we will only engage in such a transaction when we determine the commission paid is reasonable in relation to the value of the research services provided by the broker-dealer.

#### Item 13 Review of Accounts

##### Review of Accounts

Reviews will be conducted on a regular basis, including daily, weekly, monthly, quarterly and annually. Accounts are checked for transaction accuracy, performance and in the context of each model portfolio's investment objective and guidelines. Additional reviews may be triggered by material changes such as:

- New contributions and withdrawals;
- Year-end tax planning;
- Events that move the market including political or economic, environmental or security specific events;
- Changes in client risk and return objectives.

Reviews will be performed by a designated investment advisor representative. Reports do not have to be written.

#### Item 14 Client Referrals and Other Compensation

WaterRock has no client referral or other compensation relationships.

#### Item 15 Custody

WaterRock DOES NOT maintain custody of its client assets. However, through pre-approved billing instructions, we are allowed to withdraw our advisory fee directly from certain client accounts that have provided us written authority to do so. In these cases, we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. However, we do not have physical custody of any of your funds and/or securities. Your funds and securities will ALWAYS be held with a bank, broker-dealer, or other independent qualified custodian.

You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. Although we will receive a duplicate copy of your account statements, we encourage you to review all statements received from the qualified custodian for accuracy. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. We will also provide statements to you reflecting the amount of advisory fee deducted from your account. You should compare our statements with the statements from your account custodian(s) to reconcile the information reflected on each statement. If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact us at 888-509-7426 or [clientservice@waterrockglobal.com](mailto:clientservice@waterrockglobal.com).

#### Item 16 Investment Discretion

Before we can have discretion to buy or sell securities on your behalf, you must first sign WaterRock's Investment Advisory Agreement. You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.

#### Item 17 Voting *Client* Securities

WaterRock may but is not required vote proxies on behalf of your advisory accounts. On rare occasions and only at your request, we will offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a shareholder. Proxies will be provided by the custodian holding your securities.

#### Item 18 Financial Information

WaterRock has no financial conditions which would impair our ability to meet our contractual commitments to our clients. The firm and none of its principals have ever filed a bankruptcy petition in the last 10 years. Nor do we require or solicit prepayment of more than \$500.00 in fees per *client*.

#### Item 19 Requirements for State-Registered Advisers

##### Education, Business Background, and Other Activities

Adam Droker – Born May 24<sup>th</sup> 1980.

##### Education:

Business Administration, Washington State University.  
Masters of Business Administration, Washington State University.

##### Business Background:

Financial Advisor, Merrill Lynch 2005-2007.  
Financial Advisor, Morgan Stanley 2007-2011.

##### Disciplinary Section:

Applicant has no disciplinary history to disclose.

Examinations: Series 7, Series 63, Series 65, & Series 31.

##### Other Businesses

WaterRock has no other business related items to report

##### Performance Based Fees and Potential Conflicts of Interest

Performance-based fees are based on formulas that include an asset-based fee on the amount of assets under management AND the extent to which the assets performed relative to a specific pre-determined benchmark and are charged based on a period of time and percentage of capital gains. Performance includes both realized and unrealized gains and losses.

There are conflicts of interest present when charging performance-based fees as we have an incentive to make riskier, more speculative investments than would be the case in the absence of these fees or place more favorable investments in such accounts.

WaterRock only offers performance based fees as an optional fee relationship on selected models that are typically aggressive in nature. Furthermore, only investors who qualify as an “accredited investor” can participate in such a fee relationship. Within these selected portfolio models, each client’s portfolio is managed the same, except for the differences in fee relationship and/or unless otherwise directed by the client. Additionally, we also maintain investment and trade allocation policies and procedures designed to address such conflicts of interest.

WaterRock and its management persons do not have a relationship with any issuer of securities that is not listed in Item 10.

Per California Code of Regulations Section 260.238 (k) All material conflicts have been disclosed.



**WATERROCK**  
GLOBAL ASSET MANAGEMENT LLC