

## Item 1 – Cover Page

### **Lake Point Wealth Management, LLC**

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Rockwall, TX 75032

214-771-3363

[www.lakepointwealthmanagement.com](http://www.lakepointwealthmanagement.com)

August 28, 2020

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This document is Form ADV, Part 2A, commonly known as a “Brochure.” It provides information about the qualifications and business practices of Lake Point Wealth Management, LLC (also referred to as Lake Point Wealth Management, LPWM, the Firm, Us, Our or We throughout this brochure). If you have any questions about the contents of this Brochure, please contact Tiffany Ramirez at 214-771-3363 or at [Compliance@LakePointWealthManagement.com](mailto:Compliance@LakePointWealthManagement.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration as an investment adviser does not imply a certain level of skill or training.

Additional information about Lake Point Wealth Management is also available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view the Firm’s information on this website by searching for Lake Point Wealth Management, LLC or by entering the Firm’s CRD number 170398.

## Item 2 – Material Changes

LPWM filed its initial application for registration as an investment adviser in January 2014. This Brochure, dated August 28, 2020, is an interim updating amendment. The following are the material changes to report since the last annual updating amendment dated March 30, 2020.

- We revised Item 4 to indicate that our Firm's Chief Compliance Officer is Tiffany Ramirez.
- We revised Item 5 to describe the conflict of interest involved with our receipt of asset-based fees, as well as how we address that conflict of interest. We further revised Item 5 to disclose that our representatives who are insurance licensed have additional financial incentives in the form of bonuses for reaching monthly goals for insurance issued and assets under management for advisory accounts. For more information regarding these conflicts, as well as how they are addressed, please see Item 4.
- In order to avoid any potential business interruption due to the COVID-19 Pandemic, we elected to participate in the Paycheck Protection Program (PPP) administered through the Small Business Administration. As part of the PPP, LPWM and our affiliate Lake Point Advisory Group received \$326,600, which we used primarily to cover employee payroll, lease payments and utilities. In view of the uncertainty caused by the pandemic, we wanted to make sure that we were in the best position to retain our employees and continue to serve our valued customers. We do not currently anticipate any need to access capital in the near future, and at this time we anticipate that the PPP loan will allow us to retain our employees, will eliminate the risk of business interruption and prevent any decline in the level of service we provide to our clients.

The following are the material changes to report since the annual updating amendment dated March 29, 2019.

- Joshua Wilson was hired as LPWM's Chief Executive Officer. For further information, see Item 4 - Advisory Business.
- Rob Emrich III was named as Chief Investment Officer. His services are being provided through an agreement with Acrucence Capital, LLC, a state-registered investment advisor. For further information, See Item 4 – Advisory Business, and Item 10 – Other Financial Industry Arrangements and Affiliations.
- We revised Item 10 to indicate that supervised persons of LPWM may recommend LPWM's advisory services when acting in their separate capacities as an insurance agents of Lake Point Advisory Group, LLC, and Sterling National Financial Group, LLC, affiliated state-licensed insurance agencies. This presents a conflict of interest in that these supervised persons have an incentive to recommend Lake Point Wealth Management's advisory services based on the compensation received. Please see Item 10 for more information.
- We revised Item 14 to describe a conflict of interest that exists regarding an agreement between Lake Point Advisory Group, an affiliate of LPWM, and Retirement HQ, LLC. Under that agreement our affiliate receives valuable financial benefits that are conditioned on its continued use of Advisors Excel for placement of fixed annuity business conducted by our insurance affiliate and our representatives who also sell insurance products. Those benefits inure to the benefit of LPWM as well.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days after the Firm's fiscal year ends. The Firm's fiscal year ends on December 31, so you will receive either the summary of material changes or a completely revised Brochure no later than April 30 each following year. If we send you a summary of material changes you may request a copy of the complete Brochure at any time. You may also view and download our most recent Brochure at any time at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). We may also provide other ongoing disclosure information about material changes as necessary.

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#### **Item 4 – Advisory Business**

Lake Point Wealth Management is a limited liability company (LLC) formed under the laws of the State of Texas. LPWM filed its initial application to become registered as an investment adviser in January 2014. Our primary office is located at 1 Horizon Court, Suite A, Rockwall, Texas 75032. We have 9 other branch offices.

Howard R. (“Reid”) Johnson III is the owner of LPWM. He owns 100.00% of LPWM. Full details of his education and business background are provided in Form ADV, Part 2B, commonly called the “Brochure Supplement.” Tiffany Ramirez is the Chief Compliance Officer of LPWM. Joshua Wilson is the Chief Executive Officer of LPWM.

#### **Introduction**

The investment advisory services of LPWM are provided to you through appropriately licensed and qualified individuals who are investment adviser representatives of the Firm. These persons are referred to as “investment adviser representatives” throughout this Brochure.

#### **Description of Advisory Services**

The following are descriptions of the primary advisory services of LPWM. Please understand that a written agreement, which details the exact terms of the service, must be signed by you and LPWM before we can provide you the services described below.

**Financial Planning Services** - LPWM offers financial planning services, which involves preparing a written financial plan covering specific or multiple topics. We provide full written financial plans, which typically address the following topics: Investment Planning, Retirement Planning, Insurance Planning, Education Planning, Portfolios Review, and Asset Allocation. When providing financial planning and consulting services, our role is to find ways to help you understand your overall financial situation and help you set financial objectives. Written financial plans prepared by us do not include specific recommendations of individual securities.

Our financial planning services do not involve implementing any transaction on your behalf or the active and ongoing monitoring or management of your investments or accounts. You have the sole responsibility for determining whether to implement our financial planning and consulting recommendations.

**Investment Management Services** - LPWM offers investment management services to its clients based on each client's specific circumstances, needs, goals and objectives. Rob Emrich III has been retained as Chief Investment Officer. In that role he is responsible for designing and implementing Lake Point's investment management program and managing our client's portfolios on a discretionary basis.

When LPWM is engaged to provide asset management services on a discretionary basis, we will monitor your accounts to ensure that they are meeting your investment objectives and other requirements. If any changes are needed to your investments, we will either recommend changes or, in accounts over which we have discretion, make the changes. These changes may involve selling a security or group of investments and buying others or keeping the proceeds in cash or some liquid alternative. You may at any time place restrictions on the types of investments we may use on your behalf, or on the allocations to each security asset class or industry. You will receive written or electronic confirmations from your account custodian after any changes are made to your account. You will also receive statements at least quarterly from your account custodian. Clients engaging us on a discretionary basis will be asked to grant such authority upon signing our Investment Advisory Agreement.

#### **Limits Advice to Certain Types of Investments**

LPWM generally provides investment advice on the following types of investments:

- Mutual Funds

- Exchange Traded Funds (ETFs)
- Exchange-listed Securities
- Fixed-Index Annuities

We reserve the right to offer advice on any investment product that may be suitable for each client's specific circumstances, needs, goals and objectives.

*(Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.)*

### **Tailor Advisory Services to Individual Needs of Clients**

LPWM's investment management, financial planning and consulting services are always provided based on your individual needs. When providing investment management, financial planning and consulting services, we work with you on a one-on-one basis through interviews and questionnaires to determine your investment objectives and suitability information.

We will not enter into an investment adviser relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies. However, our clients may impose reasonable restrictions, consistent with our philosophy on the management of their accounts.

### **Client Assets Managed by Lake Point Wealth Management**

LPWM's investment advisory activities are not limited to providing financial planning services to client and managing our Client accounts. As described above, LPWM has discretionary trading authority of certain clients' portfolios and makes investment recommendation to other clients. Furthermore, LPWM has discretionary authority to hire and fire third-party managers and reallocate assets among them, should it choose to do so.

As of December 31, 2019, we have \$291,080,501 in assets under management managed on a discretionary basis.

## **Item 5 – Fees and Compensation**

In addition to the information provided in Item 4 – Advisory Business, this section provides additional details regarding LPWM's services along with descriptions of each service's fees and compensation arrangements. It should be noted that lower fees for comparable service may be available from other sources. The exact fees and other terms will be outlined in the agreement between you and LPWM.

### **Financial Planning Services**

Fees charged for financial planning services are negotiable based upon the type of client, the services requested, the complexity of the client's situation, the composition of the client's account, other advisory services provided and the relationship of the client and the investment adviser representative. The following are the fee arrangements available for financial planning and consulting services offered by LPWM.

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

LPWM provides financial planning services under a fixed fee arrangement. A mutually agreed upon fixed fee is charged for financial planning services under this arrangement. Typically, the fixed fee for financial planning services is \$500. The amount of the fixed fee for your engagement is specified in your financial planning agreement with LPWM. We may ask you to agree to pay in advance of the fixed fee at the time you execute an agreement with LPWM; however, at no time will LPWM require payment of more than \$1200 in fees more than six months in advance. The financial planning services terminate upon delivery of the written financial plan or upon either party providing the other party written notice of termination. Upon

completion and delivery of the financial plan, the fixed fee is considered earned by LPWM and any unpaid amount is immediately due.

The fees for the financial planning services may be waived or reduced by LPWM at our sole discretion. For clients who choose to implement our investment recommendations through LPWM, we often agree to waive or reduce the fees for financial planning services.

You may terminate the financial planning services within five (5) business days of entering into an agreement with LPWM without incurring any fee. If you terminate the financial planning services after five (5) business days of entering into an agreement, you will be responsible for immediate payment of a pro-rated fixed fee equivalent to the percentage of work completed by LPWM as determined by LPWM. In the event that there is a remaining balance of any fees paid in advance after the deduction of the pro-rated fixed fee, those remaining proceeds will be refunded by LPWM to you.

### ***Other Fee Terms for Financial Planning Services***

You may pay the investment advisory fees owed for the financial planning services by submitting payment directly (for example, by check). All fees paid to LPWM for services are separate and distinct from the commissions, fees and expenses charged by insurance companies associated with any disability insurance, life insurance and annuities policy acquired by you. If you sell or liquidate certain existing securities positions to acquire any insurance or annuity, you may also pay a commission and/or deferred sales charges in addition to the financial planning and consulting fees paid to LPWM and any commissions, fees and expenses charged by the insurance company for subsequently acquired insurance and/or annuities.

To the extent LPWM engages an outside professional (i.e. attorney, independent investment adviser or accountant) while providing financial planning and consulting services to you, LPWM will be responsible for the payment of the fees for the services of such an outside professional, and you will not be required to reimburse LPWM for such payments. In this scenario, LPWM will be the client of the outside professional. To the extent that you personally engage such an outside professional, you will be responsible for the payment of the fees for the services of such an outside professional, and LPWM will not be required to reimburse Client for such payments. Fees for the services of an outside professional (i.e. attorney, independent investment adviser or accountant) personally engaged by you will be in addition to and separate from the fees charged by LPWM, and you will be responsible for the payment of the fees for the services of such an outside professional. In no event will the services of an outside professional be engaged without your express approval.

If you elect to have your investment adviser representative, in his or her separate capacity as an insurance agent, implement the recommendations of LPWM, your investment adviser representative will customarily receive a commission on the sale of such product. This creates a conflict of interest. (See Item 10 for more details). Our investment adviser representatives who are insurance licensed have additional financial incentives in the form of bonuses for reaching certain monthly goals for insurance issued and assets under management, as more fully described below under "Conflicts of Interest." Your investment adviser representative may, at his or her discretion may waive or reduce the financial planning fee charged for these services by the amount of the commissions received by your investment adviser representative as an insurance agent. Any reduction of the investment advisory fee will not exceed 100% of the insurance commission received.

All fees paid to LPWM for financial planning and consulting services are separate and distinct from the commissions charged by a broker-dealer or asset management fees charged by LPWM. Lower fees for comparable services may be available from other sources.

### **Investment Management Services**

Fees charged for our investment management services are charged based on a percentage of assets under management. Fees are typically billed in advance (at the start of the billing period) on a quarterly calendar basis. The fee structure for LPWM is as follows:

Assets under Management	Annual Fee
First \$1,500,000	1.50%
Next \$1,500,000	1.25%
Next \$4,500,000	1.00%
Above \$7,700,000	0.75%

The fee is negotiable at the Firm's sole discretion, and not all clients of Firm will be charged the same fee or be charged according to the same fee schedule. The fee will be calculated based upon a percentage of the market value of the assets under LPWM's management as of the last business day of the preceding quarter.

The advisory fee charged for the partial quarter in which the account is established shall be billed in the month following the month in which the account was established. The amount to be billed consists of two components: The First Month Fee and the Remaining Quarter Fee. The First Month Fee, which is billed in arrears, shall be the pro rata amount of the annualized advisory fee represented by the number of days remaining in the month after the date on which the account was established compared to the total number of days in that month. The Remaining Quarter Fee, which is billed in advance, shall be the pro rata amount of the annualized advisory fee represented by the number of days remaining in the quarter following the end of the month in which the account was established. Both the First Month Fee and the Remaining Quarter Fee shall be calculated based upon the value of the account at the end of the month in which the account was established. Fees on amounts deposited during a quarter are assessed in arrears for the quarter in which the deposit was made. Credits for withdrawals made during a quarter will be issued in the same manner.

You may terminate the investment management services within five (5) business days of entering into an agreement with LPWM without penalty or fees due. If you terminate the investment management services after five (5) business days of entering into an agreement, you will be responsible for payment of the pro rata portion of the quarterly management fee. Any prepaid, unearned fees will be refunded by LPWM to you within fourteen days via check or return deposit back into the client's account. Fee refunds will be determined on a pro rata basis using the number of days services are actually provided during the final period.

Our receipt of an asset-based fee presents a conflict of interest. This is because the more assets there are in the client's account, the more the client will pay in fees. Therefore, we have an incentive to encourage clients to increase the assets in their accounts. We address this conflict of interest by ensuring any such recommendations are in the client's best interest.

### **Other Fees or Expenses**

Brokerage commissions, transaction charges, handling fees, custodial fees, service charges, ticket charges, asset-based trading fees and other similar charges incurred in connection with transactions for the Accounts or other services rendered by a custodian are in addition to the investment management fees paid to LPWM and must be paid by Client. Client agrees to be responsible for all additional fees and charges for which Client becomes obligated under any separate agreement with the Custodian.

Mutual funds and similar investment vehicles pay managers to manage the assets of the fund, and the expenses of the fund, including said management fees, are deducted from all of the fund assets, are chargeable against the net asset value of fund shares owned by the Client, and are therefore borne separately by the Client. Other fees and expenses that the Client may pay outside of this agreement include retirement plan fees, mutual fund sales loads, 12(b)-1 marketing fees charged by mutual funds, contingent deferred sales charges, annuity fees including mortality and expense charges, and surrender charges. A description of the types of fees and expenses actually charged by a particular investment are described in the prospectus or contract, as applicable, of the particular investment.

### **Conflicts of Interest**

OUR INDIVIDUAL REPRESENTATIVES ARE COMPENSATED BY A COMBINATION OF SALARY, COMMISSIONS, ADVISORY FEES, AND BONUSES. IN ADDITION TO A BASE SALARY, ALL OF OUR INDIVIDUAL REPRESENTATIVES WHO ARE ALSO INSURANCE LICENSED HAVE ADDITIONAL FINANCIAL INCENTIVES TO RECOMMEND AND SELL INSURANCE PRODUCTS. FOR EXAMPLE, DURING 2020, TYPICALLY A REPRESENTATIVE RECEIVES A PORTION OF THE INSURANCE COMMISSION RECEIVED BY OUR INSURANCE AFFILIATE, LAKE POINT ADVISORY GROUP, LLC, ON THE SALE OF AN INSURANCE PRODUCT. IN 2020, SOME REPRESENTATIVES RECEIVE A HIGHER PERCENTAGE OF COMMISSIONS FOR LIFE INSURANCE PRODUCTS THAN FOR ANNUITY PRODUCTS. THIS FINANCIAL INCENTIVE TO RECOMMEND OR SELL LIFE INSURANCE PRODUCTS REPRESENTS A CONFLICT OF INTEREST. THIS INCENTIVE DISAPPEARS BEGINNING ON JANUARY 1, 2021, WHEN THE PORTION OF THE COMMISSIONS FOR LIFE INSURANCE AND ANNUITY PRODUCTS ARE EQUAL. THIS INFORMATION IS ALSO LISTED IN THE BROCHURE SUPPLEMENT (ADV PART 2B) OF THE RELEVANT REPRESENTATIVES.

OUR INDIVIDUAL REPRESENTATIVES ALSO RECEIVE COMPENSATION FOR RECOMMENDING THAT CLIENTS OPEN ADVISORY ACCOUNTS. THIS COMPENSATION IS IN THE FORM OF A PERCENTAGE OF THE ADVISORY FEE RECEIVED BY LPWM. THIS FEE IS A PERCENTAGE OF THE ASSETS UNDER MANAGEMENT. SOME REPRESENTATIVES RECEIVE A HIGHER PORTION OF THE ADVISORY FEE DURING THE FIRST YEAR OF A NEW ACCOUNT, AND A LOWER FEE THEREAFTER. PLEASE NOTE THIS INCENTIVIZES REPRESENTATIVES TO FIND NEW BUSINESS RATHER THAN MERELY TO SERVICE EXISTING ACCOUNTS. THIS INFORMATION IS ALSO LISTED IN THE BROCHURE SUPPLEMENT (ADV PART 2B) OF THE RELEVANT REPRESENTATIVES.

FURTHERMORE, ADVISERS TYPICALLY RECEIVE A HIGHER PAYMENT DURING THE FIRST YEAR IN WHICH AN INSURANCE PRODUCT IS RECOMMENDED, IN THE FORM OF A PERCENTAGE OF THE INSURANCE PREMIUM, COMPARED TO THE PERCENTAGE OF THE ADVISORY FEE A REPRESENTATIVE RECEIVES DURING THE FIRST YEAR OF OPENING A NEW ADVISORY ACCOUNT. THIS CREATES AN INCENTIVE TO RECOMMEND INSURANCE PRODUCTS OVER ADVISORY ACCOUNTS AND SERVICES. WE MITIGATE THIS CONFLICT OF INTEREST BY PAYING REPRESENTATIVES CONTINUING PERCENTAGES OF ASSETS UNDER MANAGEMENT FOR AS LONG AS THE ACCOUNT IS MANAGED BY LPWM, AS THIS PROVIDES ADDITIONAL INCENTIVES FOR THE ADVISERS TO RECOMMEND ADVISORY ACCOUNTS.

ADVISERS RECEIVE ADDITIONAL COMPENSATION IN THE FORM OF BONUSES IF THEY REACH CERTAIN MONTHLY GOALS FOR INSURANCE COMMISSIONS AND ADVISORY FEES THEY RECEIVE. REPRESENTATIVES' MONTHLY BASE SALARY FUNCTIONS AS A "MONTHLY INCENTIVE THRESHOLD." IF THE SUM OF THE ADVISORY FEES AND COMMISSIONS THEY GENERATE EXCEED THE THRESHOLD, THEY WILL RECEIVE A BONUS IN THE AMOUNT BY WHICH THE THRESHOLD IS EXCEEDED. THE AFOREMENTIONED INCENTIVE TO RECOMMEND INSURANCE PRODUCTS OVER ADVISORY SERVICES ALSO EXISTS IN CONNECTION WITH THE BONUS PROGRAM. THE REPRESENTATIVE HAS AN INCENTIVE TO RECOMMEND INSURANCE PRODUCTS, AS THEY WILL ALLOW THE REPRESENTATIVE TO REACH HIS OR HER BONUS GOALS MORE QUICKLY. THIS INCENTIVE CREATES A CONFLICT OF INTEREST WITH RESPECT TO THE INDIVIDUAL ADVISOR'S COMPENSATION. WE MITIGATE THIS CONFLICT OF INTEREST BY LIMITING INSURANCE COMMISSION PAYMENTS TO ONE YEAR, AND BY INCLUDING CURRENT AND FUTURE PAYMENTS OF ADVISORY FEES IN THE INCENTIVE THRESHOLD.

ADDITIONALLY, THE BONUS PROGRAM WAS ESTABLISHED BY AND IS ADMINISTERED THROUGH LAKE POINT ADVISORY GROUP. LAKE POINT WEALTH MANAGEMENT, LLC AND LAKE POINT ADVISORY GROUP, LLC, WILL ALSO BENEFIT IF INDIVIDUAL ADVISORS MEET THEIR GOALS. THIS ALSO REPRESENTS A CONFLICT OF INTEREST.

IN ADDITION TO THE MITIGATING FACTORS DESCRIBED ABOVE, WE ADDRESS THESE CONFLICTS OF INTEREST BY (1) MAKING SURE ALL CLIENTS ARE ADVISED OF THIS CONFLICT THROUGH CONSPICUOUS DISCLOSURE IN THIS BROCHURE; (2) REQUIRING ALL



REPRESENTATIVES TO ASSURE THAT ANY RECOMMENDATIONS OF INSURANCE PRODUCTS OR RECOMMENDATIONS FOR ASSET MANAGEMENT ARE IN THE CLIENT'S BEST INTEREST AND SUITABLE FOR THE CLIENT; (3) REQUIRING ALL ADVISORS TO SIGN A WRITTEN AGREEMENT SPECIFYING THAT, AS A CONDITION FOR RECEIPT OF ANY BONUS, ALL COMPLIANCE PAPERWORK (INCLUDING SUITABILITY DOCUMENTATION) BE SUBMITTED TO THE COMPLIANCE DEPARTMENT; AND (4) SUBJECTING ALL RECOMMENDATIONS TO THOROUGH REVIEW BY THE CCO OR HIS/HER DESIGNEE FOR A DETERMINATION THAT THE RECOMMENDATION IS CONSISTENT WITH THE CLIENT'S RISK TOLERANCE AND IN FACT IN THE CLIENT'S BEST INTEREST AND SUITABLE FOR THE CLIENT.

#### **Item 6 – Performance-Based Fees and Side-By-Side Management**

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. *Item 6* is not applicable to this Disclosure Brochure because LPWM does not charge or accept performance-based fees.

#### **Item 7 – Types of Clients**

LPWM generally provides investment advice to the following types of clients:

- Individuals
- High net worth individuals
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above

#### **Minimum Investment Amounts Required**

The minimum account size accepted by the individual IAR at LPWM is at the sole discretion of the IAR.

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

##### **Investment Strategies**

We believe in a long-term strategy with a balanced, well-diversified portfolio of securities which may also include investments in private funds. In addition, we may utilize separate account managers who may manage portfolios of stocks, bonds or other securities on behalf of our clients in separately managed accounts.

In addition to the investments listed above, the investment strategy used by our separate account managers, mutual funds and other recommended pooled investment vehicles may also include short sales, margin transactions, currency trading, and various option strategies and other forms of derivatives.

#### **INVESTMENT APPROACH AND PHILOSOPHY**

LPWM's Investment Policy Committee has created a platform of recommended investments and separate account managers that are used as the basis for Managed Account Client portfolio construction. The Investment team monitors the performance of investments and separate account managers on this platform on an ongoing basis and performs diligence on prospective new investments and separate account managers. The Investment team reports directly to the Investment Policy Committee. The Investment Policy Committee generally meets bimonthly but may meet more frequently as needed. LPWM generally recommends investment in mutual funds, hedge funds, private equity funds and separate account managers who manage separately managed accounts.

With respect to analysis of equity and fixed income mutual funds, hedge funds, private equity funds and separate account managers, LPWM performs quantitative and qualitative analysis. On a quantitative basis,

we look at a variety of investment factors including, but not limited to, performance data, risk statistics, volatility, sector concentration, position concentration, geographic concentration, market-cap weightings and liquidity of underlying securities. For passive index investments, we evaluate the underlying indices' methodology. In our qualitative review, we look at the strength and quality of the organization, strength of the relevant investment team in terms of its key decision makers, relevant experience, compensation structure, alignment of interests, employee turnover, succession plans, etc. We also review the process used by these teams to determine if we believe it to be repeatable and consistent in various markets.

Because of the more limited liquidity and transparency in hedge fund investments, we perform operational due diligence checks in addition to the aforementioned investment analysis. In the case of certain hedge funds these checks are performed by members of our Investment Team. The goal of these checks which may consist of interviews, site visits, conference calls and requests for information is to understand and evaluate a manager's valuation policies, cash management controls, portfolio risk management framework and operational processes.

Because of the more limited liquidity and transparency in private equity investments, we seek to gain insights into the underlying manager's sourcing abilities to determine whether the manager will be able to generate sufficient attractive investment opportunities. Given the illiquid nature of underlying investments in private equity funds, we confirm that their valuation practices conform to current accounting standards.

## **INVESTMENT IMPLEMENTATION FOR MANAGED ACCOUNT CLIENTS**

We implement investment management for all Managed Account Clients on both a discretionary and non-discretionary basis. Our process in designing portfolios for clients consists of:

- Determining a client's income/growth objectives and assessing the client's risk tolerance;
- Drafting an investment policy statement that is reviewed with the client; and
- Finalizing the asset allocation and selecting investments and separate account managers from LPWM's platform of approved investments and managers to implement the plan as outlined in the final investment policy statement.

### **Risk of Loss**

Clients are reminded that investing in any security entails risk of loss which they should be willing to bear. We do not guarantee the future performance of a client's portfolio or any specific return, the success of any investment decision or strategy that we may use, or the success of our overall management of any client's account or participation in a private fund. Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Different types of investments have varying degrees and types of risk. You should be prepared to bear investment loss, including loss of original principal.

Because of the inherent risk of loss associated with investing, LPWM is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market declines.

The investment decisions made by us, our separate account managers and private investment fund managers for our clients' accounts are subject to various market, economic, political, and business risks, and those investment decisions will not always be profitable.

Risks to our Managed Account Clients may include, but are not necessarily limited to, the following:

*Concentration.* Some strategies used by separate account managers or other managers involve investments in a relatively small number of securities. Losses incurred in such securities could have a disproportionate effect on the account's overall financial condition.

*Discretion.* Some of our client accounts are managed on a discretionary basis, that is, investment decisions are made by our investment adviser representatives or outside managers without first contacting the client. Although this is a normal portfolio management strategy, there is a risk that such management decisions would vary from decisions that would be made by the client.

*Leverage.* Interest costs on borrowings may fluctuate with changing market rates of interest and may partially offset or exceed the return earned on borrowed funds. To the extent a client account is leveraged, the value of its assets will tend to increase more when its portfolio securities increase in value and decrease more when its portfolio securities decrease in value, than if its assets were not leveraged.

*Options Risk.* Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.

*Short Selling.* Short sales by separate account managers and other managers that are not part of a hedging strategy are speculative and involve special risk considerations. Short sales theoretically involve unlimited loss potential as the market price of securities sold short may continuously increase.

*Equity Securities.* By investing in stocks, we may expose a client account to a sudden decline in the share price or to an overall decline in the stock market. The value of investments held in a client account will fluctuate daily and cyclically based on changes in the issuer's financial condition and prospects and on overall market and economic conditions.

*ETF and Mutual Fund Risk.* When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs. For a variety of reasons, an ETF's market price may trade at a premium or a discount to its underlying value.

*Markets.* Markets can, as a whole, go up or down on various news releases or for no understandable reason at all. This sometimes means that the price of specific securities could go up or down without real reason and may take some time to recover any lost value. Adding additional securities does not help to minimize this risk since all securities may be affected by market fluctuations.

*Fixed Income Securities.* The prices of fixed income securities respond to economic developments, particularly interest rate changes, as well as to perceptions of an issuer's creditworthiness. The duration of these securities affects risk as well, with longer term securities generally more volatile than shorter term securities.

*Foreign Securities.* Foreign investments may be adversely affected by changes in currency rates and exchange control regulations, unfavorable political, social, and economic developments and the possibility of seizure or nationalization of companies or imposition of withholding taxes on income. Moreover, less information may be publicly available concerning certain foreign issuers than is available concerning U.S. companies. Foreign markets tend to be more volatile than the U.S. market due to economic and political instability, social unrest, and regulatory conditions in some countries.

*High Yield Bonds.* Fixed income securities that are below investment grade or unrated involve greater risks of default and are more volatile than investment grade securities. High yield bonds involve a greater risk of price declines than investment grade securities due to actual or perceived changes in an issuer's creditworthiness. In addition, issuers of high yield bonds may be more susceptible than other issuers to economic downturns, which may result in a weakened capacity of the issuer to make principal or interest payments.

*Commodities.* The value of commodity-related instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or risks affecting a particular industry or

commodity, such as drought, flood, weather, livestock disease, embargoes, tariffs, and international economic, political, and regulatory developments.

*Company Risk.* When investing in stock or bonds issued by a portfolio company, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.

*Energy Price Volatility.* The performance of energy-focused investments may be substantially dependent upon prevailing prices of oil and natural gas. Historically, the markets for oil and natural gas have been volatile, and such markets are likely to continue to be volatile in the future. Prices for oil and natural gas are subject to wide fluctuation in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty, speculation, and a variety of additional factors that are beyond the control of LPWM.

*Real Estate-Related Investments.* Property values may fall due to increasing vacancies or declining rents resulting from economic, legal, cultural, or technological developments. Real estate companies are subject to legislative or regulatory changes, adverse market conditions, and increased competition. The general performance of the real estate industry has historically been cyclical and particularly sensitive to economic downturns. Changes in prevailing real estate values, interest rates, and changing demographics may affect the value of securities of issuers in the real estate industry.

*Reinsurance Investments.* The principal risk of investments in a reinsurance-related security is that a triggering event (e.g., certain natural disasters like hurricanes or earthquakes or non-natural disasters like aviation disasters) of the underlying policies will occur and the investment will lose all or a significant portion of the principal that it has invested in the security and the right to additional interest payments with respect to the security. If multiple triggering investments occur that impact a significant portion of the portfolio of the investment, the investment could suffer substantial losses and an investor would lose money.

*Private Investment Fund Risk.* Hedge funds and private equity funds which are not managed by LPWM may provide very limited information to LPWM with respect to their operations and performance, thereby severely limiting our ability to (i) verify any representation made by such fund, (ii) monitor any investment strategy being employed by such fund, or (iii) detect any misconduct or fraud engaged in by such fund. To the extent that we recommend investing in a fund that restricts the ability of investors to effect withdrawals, we may not be able to withdraw client assets promptly. To the extent a fund is permitted to distribute securities in kind to investors making withdrawals, a client may receive securities that are illiquid or difficult to value in lieu of cash. Please review each fund's offering documents for risks specific to that fund.

*Political Risks.* Most investments have a global component, even domestic stocks. Political events anywhere in the world may have unforeseen consequences to markets around the world.

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

*Regulatory Risk.* Changes in laws and regulations from any government can change the value of a given company and its accompanying securities. Certain industries are more susceptible to government regulation. Changes in zoning, tax structure or laws impact the return on these investments.

*Risks Related to Investment Term.* If you require us to liquidate your portfolio during a period in which the price of the security is low, you will not realize as much value as you would have had the investment had the opportunity to regain its value, as investments frequently do, or had we been able to reinvest in another security.

*Purchasing Power Risk.* Purchasing power risk is the risk that your investment's value will decline as the price of goods rises (inflation). The investment's value itself does not decline, but its relative value does,

which is the same thing. Inflation can happen for a variety of complex reasons, including a growing economy and a rising money supply.

*Default Risk.* This risk pertains to the ability of a company to service their debt. Ratings provided by several rating services help to identify those companies with more risk. Obligations of the U.S. government are said to be free of default risk.

*Risks specific to sub-advisors and other managers.* If we invest some of your assets with another adviser, there are additional risks. These include risks that the other manager is not as qualified as we believe them to be, that the investments they use are not as liquid as we would normally use in your portfolio, or that their risk management guidelines are more liberal than we would normally employ.

The foregoing risk factors are not a complete description of all risks associated with a Managed Account Client's investments or an underlying Fund investment. Clients should carefully read the risk factors section of any mutual fund prospectus and offering documents of any private investment fund.

### **Item 9 – Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our business or integrity or the business or integrity of our principals.

### **Item 10 – Other Financial Industry Activities and Affiliations**

LPWM is **not** and does **not** have a related person that is a broker/dealer, municipal securities dealer, government securities dealer or broker, an 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), another investment adviser or financial planner, a futures commission merchant, commodity pool operator, or commodity trading advisor, a banking or thrift institution, an accountant or accounting firm, a lawyer or law firm, a pension consultant, a real estate broker or dealer, and a sponsor or syndicator of limited partnerships. While LPWM does not sell products or services other than investment advice, our representatives may sell other products or provide services outside of their role as investment adviser representatives with us. When that occurs, those representatives typically earn commissions on other transaction-based compensation. That creates a conflict of interest which we carefully monitor and manage by reviewing all such transactions to assure they are in the best interest of the client and by assuring that any commissions are disclosed.

#### **Insurance Agents**

The owner, Reid Johnson, owns a state-licensed affiliated insurance agency, Lake Point Advisory Group, LLC ("Lake Point Advisory"). Reid Johnson also co-owns another state-licensed affiliated insurance agency, Sterling National Financial Group, LLC ("Sterling"). Lake Point Advisory and Sterling are licensed to offer and sell insurance products for asset and income protection in the state of Texas.

As insurance agencies, Lake Point Advisory and Sterling will receive separate, yet customary compensation for insurance product sales. Acting in dual capacities (insurance agency and financial advisor) and receiving compensation as such creates a conflict of interest in that representatives of LPWM may recommend purchasing insurance products based on compensation received rather than on the needs of the client. Our investment adviser representatives who are insurance licensed have additional financial incentives in the form of bonuses for reaching certain monthly goals for insurance issued and assets under management, as more fully described in Item 5. We manage these conflicts of interest by, among other things, requiring all representatives who are licensed to offer insurance products to our clients to assure that any recommendations of insurance products or recommendations for asset management are in the client's best interest and suitable for the client, subjecting all recommendations to thorough review by the CCO or his/her designee for a determination that the recommendation is consistent with the client's risk tolerance and in fact in the client's best interest and suitable for the client, requiring all representatives to seek prior approval of any outside employment activity so that we may ensure that any conflicts of interest in such activities are properly disclosed, and fully disclosing to a client when a particular transaction will result in the receipt of

commissions or other associated fees. Insurance products may be available through other channels and as a client you are not obligated to purchase products recommended by our representatives.

Investment Adviser Representatives of LPWM are also personally licensed as insurance agents. Clients may work with them in this separate capacity as an insurance agent. When acting in this separate capacity as an insurance agent, they may sell, for commissions, general disability insurance, life insurance, annuities, and other insurance products to you. As such, Investment Adviser Representatives in this separate capacity as an insurance agent, may suggest that you implement recommendations by purchasing disability insurance, life insurance, annuities, or other insurance products. This receipt of commissions creates a conflict of interest in that Investment Adviser Representatives of LPWM may recommend products based on commissions received rather than on the needs of the client. We manage this conflict of interest by requiring all representatives who are licensed to offer insurance products to our clients to assure that the issuing insurer reviews the potential sale of any products for the purpose of determining adherence to applicable insurance suitability standards, requiring all representatives to seek prior approval of any outside employment activity so that we may ensure that any conflicts of interest in such activities are properly disclosed, reviewing the suitability of the proposed recommendation and fully disclosing to a client when a particular transaction will result in the receipt of commissions or other associated fees. You are under no obligation to implement any insurance or annuity transaction through your Investment Adviser Representatives. Please see the brochure supplement (ADV Part 2B) of your Investment Adviser Representative for more details.

Supervised persons of LPWM may recommend Lake Point Wealth Management's advisory services to clients of Lake Point Advisory and Sterling when acting in their separate capacities as an insurance agents of Lake Point Advisory and Sterling. This presents a conflict of interest in that these supervised persons have an incentive to recommend Lake Point Wealth Management's advisory services based on the compensation received, rather than on the needs of the client. We manage this conflict of interest by ensuring any such recommendations are in the best interest of the client.

#### **Agreements with other Investment Advisers**

LPWM has an agreement with Aruence Capital, LLC ("Aruence"), a state-registered investment adviser, whereby Aruence provides LPWM with a Chief Investment Officer to provide advisory services to LPWM and its clients for a fee. As a result of this arrangement, Robert Emrich II has been appointed Chief Investment Officer ("CIO") of LPWM. As, CIO, Mr. Emrich is responsible for designing, testing, implementing and supervising the investment management program of LPWM, among other things. LPWM and Aruence do not refer each other business, other than as described above. For more information about Mr. Emrich, please see his ADV Part 2B.

#### **Other Business Activities of the Advisor**

LPWM also is a partial owner of One Horizon Court, LLC which was established to hold ownership of commercial real estate. LPWM also owns Sterling which engages in a lead generation program for insurance agents. Other than as described above, neither activity is related to the advisory business conducted by the Firm and should not create a conflict of interest.

Reid Johnson also owns a marketing company, EKA Marketing, LLC, which exclusively provides services to LPWM and Lake Point Advisory. It has no contracts with any other vendors.

### **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

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

An investment adviser is considered a fiduciary and has a fiduciary duty to all clients. LPWM has established a Code of Ethics to comply with the requirements of the securities laws and regulations that reflects its fiduciary obligations and those of its supervised persons. The Code of Ethics also requires compliance with federal securities laws. LPWM's Code of Ethics covers all individuals that are classified as "supervised persons". All employees, officers, directors and investment adviser representatives are classified as

supervised persons. LPWM requires its supervised persons to consistently act in your best interest in all advisory activities. LPWM imposes certain requirements on its affiliates and supervised persons to ensure that they meet the Firm's fiduciary responsibilities to you. The standard of conduct required is higher than ordinarily required and encountered in commercial business.

This section is intended to provide a summary description of the Code of Ethics of LPWM. If you wish to review the Code of Ethics in its entirety, you should send us a written request and upon receipt of your request, we will promptly provide a copy of the Code of Ethics to you.

#### **Affiliate and Employee Personal Securities Transactions Disclosure**

LPWM or associated persons of the Firm may buy or sell for their personal accounts, investment products identical to those recommended to clients. This creates a conflict of interest. It is the express policy of LPWM that all persons associated in any manner with LPWM must place clients' interests ahead of their own when implementing personal investments. LPWM and its associated persons will not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of employment or association with LPWM unless the information is also available to the investing public upon reasonable inquiry.

We are now and will continue to be in compliance with applicable state and federal rules and regulations. To prevent conflicts of interest, we have developed written supervisory procedures that include personal investment and trading policies for my representatives, employees and their immediate family members (collectively, associated persons):

- Associated persons cannot prefer their own interests to that of the client.
- Associated persons cannot purchase or sell any security for their personal accounts prior to implementing transactions for client accounts.
- Associated persons cannot buy or sell securities for their personal accounts when those decisions are based on information obtained as a result of their employment, unless that information is also available to the investing public upon reasonable inquiry.
- Associated persons are prohibited from purchasing or selling securities of companies in which any client is deemed an "insider".
- Associated persons are discouraged from conducting frequent personal trading.
- Associated persons are generally prohibited from serving as board members of publicly traded companies unless an exception has been granted by the Chief Compliance Officer of LPWM.

Any associated person not observing our policies is subject to sanctions up to and including termination.

#### **Item 12 – Brokerage Practices**

Clients are under no obligation to act on the financial planning recommendations of LPWM. If LPWM assists in the implementation of any recommendations, we are responsible to ensure that the client receives the best execution possible. Best execution does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is best. In other words, all conditions considered, the transaction execution is in your best interest. When considering best execution, we look at a number of factors besides prices and rates including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with our existing systems, ease of monitoring investments)
- Products and services offered (e.g., investment programs, back office services, technology, regulatory compliance assistance, research and analytic services)

- Financial strength, stability and responsibility
- Reputation and integrity
- Ability to maintain confidentiality

We exercise reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back-office services, technology and pricing of services offered. At least annually, we will review alternative custodians in the marketplace for comparison to the currently used custodian, evaluating criteria such as overall expertise, cost competitiveness, and financial condition. Quality of execution for custodians will be reviewed through trade journal evaluations.

### **Directed Brokerage**

In the event that the client requests that LPWM recommend a broker-dealer/custodian for execution and/or custodial services, LPWM generally recommends that investment management accounts be maintained at Fidelity Investments. Clients could receive the same or similar services from a different broker dealer or custodian at a lower cost.

Fidelity now charges LPWM \$12,500.00 per quarter for maintaining too many accounts with small balances. That is a conflict of interest because it gives LPWM an incentive to close dormant accounts, which may affect its ability to serve those customers. In order to service and assist clients in tax document preparation LPWM made a decision to keep the accounts open an extra year which means Fidelity charges LPWM the quarterly fee until we close the accounts. We plan on doing this by third quarter 2020. LPWM also mitigates this conflict by ensuring the recommendation to custody with Fidelity Investments is in the clients' best interest.

### **Soft Dollar Benefits**

Although not a material consideration when determining whether to recommend that a client utilize services of a particular broker-dealer/custodian, LPWM may receive from Fidelity Investments without cost, support services and /or products, certain of which assist LPWM to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by LPWM may be investment-related research, pricing information, and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings and other educational and/or social events, marketing support, computer hardware and /or software and /or other products used by LPWM in furtherance of its investment advisory business operations.

LPWM also receives research, analysis, market and other commentary and access to performance reporting software from Global Financial Private Capital, LLC. As indicated above, certain of the support services and /or products that may be received may assist LPWM in managing and administering client accounts. Others do not directly provide such assistance, but rather assist LPWM to manage and further develop its business enterprises.

The Securities and Exchange Commission has defined "soft dollar" practices as arrangements under which products or services, other than execution of securities transactions, are obtained by an investment adviser firm or through a broker-dealer in exchange for the direction by the adviser of client brokerage transactions to the broker-dealer. LPWM receives the benefits from Fidelity Investments and Global Financial Private Capital described above in connection with client securities transactions. We receive a benefit because we do not have to produce or pay for the research, products, or services. LPWM clients do not pay more for investment transactions effected and/or assets maintained at Fidelity Investments as a result of this arrangement. There is no corresponding commitment made by LPWM to Fidelity Investments or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities, or other investment products as a result of the above arrangement. Nevertheless, receipt of the benefits described in this section from Fidelity Investments and Global Financial Private Capital creates a conflict of interest in that we have an incentive to recommend them based on receipt of the benefits, rather than



clients' interest in receiving the most favorable execution. LPWM manages that conflict of interest by conducting a best execution analysis to assure that the total costs to the client is reasonable in relation to the value of the services provided.

### **Aggregation & Allocation of Orders**

LPWM does not aggregate client orders.

## **Item 13 – Review of Accounts**

### **Account Reviews and Reviewers**

Our financial planning services terminate upon the presentation of the written plan. Our financial planning and consulting services do not include monitoring the investments of your account(s), and therefore, there is no ongoing review of your account(s) under such services.

Accounts managed by LPWM, either through the LPWM Advisor as Portfolio Manager or through the use of a sub-advisor, are reviewed at least annually for conformity with the clients' objectives and risks. Similarly accounts established and maintained with other third-party money managers, if any, are reviewed at least annually, usually when statements and/or reports are received from the money manager.

### **Statements and Reports**

Financial planning clients do not receive any report other than the written plan originally contracted for and provided by LPWM.

Whether reports by an outside money manager are provided to you will depend upon the practices of the outside money manager.

You are encouraged to always compare any reports or statements provided by LPWM, a sub-advisor or third-party money manager against the account statements delivered from the qualified custodian. When you have questions about your account statement, you should contact LPWM and the qualified custodian preparing the statement.

## **Item 14 – Client Referrals and Other Compensation**

LPWM does not directly or indirectly compensate any person for client referrals. The only compensation received from advisory services is the fees charged for providing investment advisory services and referral fees as described in *Item 5* of this Disclosure Brochure. LPWM receives no other forms of compensation in connection with providing investment advice. *Please see Item 5, Fees and Compensation, Item 10, Other Financial Industry Activities and Affiliations and Item 12, Brokerage Practices, for additional discussion concerning other compensation.*

LPWM from time to time receives expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as client appreciation events, advertising, publishing, and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for which sales have been made or for which it is anticipated sales will be made. This creates a conflict of interest in that there is an incentive to recommend certain products and investments based on the receipt of this compensation instead of what is in the best interest of our clients. LPWM attempts to control for this conflict by always basing investment decisions on the individual needs of our clients.

In addition, Lake Point Advisory has a relationship with Retirement HQ, LLC ("Retirement HQ") whereby Retirement HQ provides "Standard Services" to Lake Point Advisory. "Standard Services" are marketing

services more specifically defined as “script writing, production, direction, in house testimonial acquisition, in-house announcer voice over and consulting for up to four radio shows and four scripts per month.” These Standard Services normally cost \$3,500 per month. However, Retirement HQ provides these Standard Services, and negotiates radio contracts on Lake Point Advisory’s behalf, for no charge so long as Lake Point Advisory remains “fully on board.” “Fully on board” means all Lake Point Advisory’s insurance company appointments for fixed index annuity sales are through Advisors Excel and that Lake Point Advisory submits all of its clients’ fixed index annuity business through Advisors Excel. This creates a conflict of interest in that it creates an incentive for Lake Point Advisory and the advisors of LPWM that sell insurance products, to select Advisors Excel over other providers to ensure Lake Point Advisory and LPWM continue to receive free services from Retirement HQ. We manage this conflict of interest by requiring all representatives who are licensed to offer insurance products to our clients to assure that the issuing insurer reviews the potential sale of any products for the purpose of determining adherence to applicable insurance suitability standards, requiring all representatives to seek prior approval of any outside employment activity so that we may ensure that any conflicts of interest in such activities are properly disclosed, reviewing the suitability of the proposed recommendation and fully disclosing to a client when a particular transaction will result in the receipt of commissions or other associated fees. You are under no obligation to implement any insurance or annuity transaction through your Investment Adviser Representatives. Please see the brochure supplement (ADV Part 2B) of your Investment Adviser Representative for more details.

### **Item 15 – Custody**

Custody, as it applies to investment advisors, is defined as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment adviser has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented. LPWM is deemed to have custody of client funds and securities whenever we are given the authority to have fees deducted directly from client accounts. Other than to this limited extent, our procedures do not result in our maintaining custody of client funds and securities.

For accounts where LPWM is deemed to have limited custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client’s name. Clients or an independent representative of the client will direct, in writing, the creation of all accounts and therefore are aware of the qualified custodian’s name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client’s independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against any reports received from us. When clients have questions about their account statements, they should contact us or the qualified custodian preparing the statement.

Our Firm has custody of client funds or securities due to our standing authority to make third-party transfers on behalf of our clients who have granted us this authority. This authority is granted to us by the client through the use of a standing letter of authorization (“LOA”) established by the client with his or her qualified custodian. The standing LOA authorizes our Firm to disburse funds to one or more third parties specifically designated by the client pursuant to the terms of the LOA and can be changed or revoked by the client at any time. We have implemented procedures to comply with the requirements outlined by the Securities Exchange Commission (“SEC”) in its February 21, 2017 No-Action Letter to the Investment Adviser Association. Further, we require that a qualified custodian hold client assets. Information about the custodian that we recommend is fully described in the Brokerage Practices section (Item 12).

### **Item 16 – Investment Discretion**

LPWM accepts discretionary authority to manage securities accounts on behalf of its clients. Discretionary authority is granted by execution of the written Advisory Agreement which grants LPWM authority to buy, sell, or otherwise effect investment transactions involving the assets in the client’s name found in the discretionary account. This includes the authority to hire and fire third-party managers and reallocate assets among them.

Clients are permitted to impose reasonable limitations on LPWM's discretionary authority, including restrictions on investing in certain securities or types of securities. All such limitations, restrictions, and investment guidelines must be provided to Lake Point Wealth Management LPWM in writing.

#### **Item 17 – Voting Client Securities**

LPWM does not vote proxies on behalf of Clients. We have determined that taking on the responsibilities for voting client securities does not add enough value to the services provided to you to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in an account.

You will receive proxies directly from the qualified custodian or transfer agent; we will not provide you with the proxies. You are encouraged to read through the information provided with the proxy-voting documents and make a determination based on the information provided.

#### **Item 18 – Financial Information**

LPWM does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. LPWM is not subject to a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Finally, LPWM has not been the subject of a bankruptcy petition at any time.

In order to avoid any potential business interruption due to the COVID-19 Pandemic, we elected to participate in the Paycheck Protection Program (PPP) administered through the Small Business Administration. As part of the PPP, LPWM and our affiliate Lake Point Advisory Group received \$326,600, which we used primarily to cover employee payroll, lease payments and utilities. In view of the uncertainty caused by the pandemic, we wanted to make sure that we were in the best position to retain our employees and continue to serve our valued customers. We do not currently anticipate any need to access capital in the near future, and at this time we anticipate that the PPP loan will allow us to retain our employees, will eliminate the risk of business interruption and prevent any decline in the level of service we provide to our clients.