



## TAGStone Capital, Inc.

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### Form ADV Part 2A: Disclosure Brochure

This brochure provides information about the qualifications and business practices of TAGStone Capital, Inc. If you have any questions about the contents of this brochure, please contact us at (704) 533-8900. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about TAGStone Capital, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

TAGStone Capital, Inc. is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2 Summary of Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochures when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our last annual updating amendment dated February 2, 2021, we have updated this disclosure brochure to disclose the following material change:

As a result of becoming SEC registered, we are deemed to have custody over client assets where we have authority to transfer or disburse client assets to third parties on behalf of our clients. Please refer to Item 15 of this disclosure brochure for more information.

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## Item 4 Advisory Business

### Description of Services

TAGStone Capital, Inc. is a registered investment adviser based in Charlotte, North Carolina. We are organized as a corporation under the laws of the State of North Carolina. A trust for the benefit of W. Reid Culp III is the sole owner.

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we," "our," and "us" refer to TAGStone Capital, Inc., and the words "you," "your," and "client" refer to you as either a client or prospective client of the firm.

We use the terms "we" and "our" throughout this disclosure brochure to refer to TAGStone Capital, Inc. The use of these terms is not intended to imply that there is more than one individual associated with the firm.

### Wealth Management Services

We offer wealth management services to entrepreneurs and high net-worth individuals and families to protect and grow their assets. Our wealth management services include investment selection, portfolio management, and performance monitoring. If you retain the firm for wealth management services, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information (the "suitability information") at the beginning of our advisory relationship. The investment selection is tailored specifically to meet our clients' needs and investment objectives.

We base our wealth management and investment selections on an asset allocation strategy. We systematically diversify client portfolios across numerous asset classes to capture market returns from diversified stock and bond portfolios over the long term (generally greater than five years). To achieve this, we generally recommend and invest in structured asset class mutual funds. We believe this is the most prudent recommendation for your assets with a focus on reduced investment fees, expenses, and taxes.

As part of our wealth management services, we may provide estate planning, financial planning, and asset protection planning services to you at no additional cost. These financial planning services typically involve working with you to set realistic financial goals and providing you the analysis and research to make an informed decision on the best investment and protection of your assets. The analysis and research provide information on your current financial situation, cash flow analysis, steps to reach financial independence, and steps to achieve your estate planning goals. Periodic reviews are recommended and scheduled at your request.

We encourage you to review the statements you receive from the qualified custodian. If you find any inconsistent information in the statements you receive from the qualified custodian, please call us at the number located on the cover page of this brochure.

### 401(k) Services

We offer 401(k) services to employee benefit plans and their fiduciaries. We will help fiduciaries identify the fees they are paying and the reasonableness of those fees pursuant to applicable rules and regulations. The 401(k) services will generally be advisory in nature. In general, the services we offer may include access to model investment portfolios and administrative and marketing support services. The ultimate decision to act on behalf of the plan shall remain with the plan sponsor or other named fiduciary.

We may also assist with participant enrollment meetings and provide investment-related educational seminars to plan participants on such topics listed below:

- Diversification
- Asset allocation
- Risk tolerance
- Time horizon

Our educational seminars may include other investment-related topics specific to the particular plan.

We may also provide additional types of pension consulting services to plans on an individually negotiated basis. All services, whether discussed above or customized for the plan based upon requirements from the plan fiduciaries (which may include additional plan-level or participant-level services), shall be detailed in a written agreement and be consistent with the parameters set forth in the plan documents. Our advisory fees for these customized services will be negotiated with the plan sponsor or named fiduciary on a case-by-case basis.

### **Wrap Fee Programs**

We do not provide or sponsor any wrap fee programs.

### **Assets Under Management**

As of December 31, 2021, we manage \$229,988,205 in client assets on a discretionary basis.

## **Item 5 Fees and Compensation**

Our fee for wealth management services is based on a percentage of assets under management. We do not receive any fees from investment sponsors that are commission-based, sales charges, brokerage commissions, 12b-1 fees from mutual funds, or performance-based fees. The fee arrangement is set forth in the following fee schedule:

### **Wealth Management Fee Arrangement**

Assets Under Management	Maximum Annual Advisory Rate
First \$1,000,000	1.00%
Next \$1,000,000	0.90%
Next \$1,000,000	0.80%
Next \$3,000,000	0.65%
Next \$4,000,000	0.45%
Next \$15,000,000	0.42%
Over \$25,000,000	0.40%

### **401(k) Services Fee Arrangement**

Assets Under Management	Maximum Annual Advisory Rate
First \$1,000,000	1.00%
Next \$2,000,000	0.90%
Next \$2,000,000	0.80%
Next \$5,000,000	0.60%
Over \$10,000,000	0.45%

Our annual wealth management fee is billed in advance or in arrears based on the value of your account on the last business day of the previous quarter or current quarter, respectively. If the wealth management agreement is executed at any time other than the last business day of the quarter, our fees will apply on a pro rata basis. Fees are negotiable. At our discretion, account values of family members and related entities will be aggregated to determine the applicable advisory fee. We have set a minimum account size of \$1,000,000 and a minimum fee of \$10,000, but in some circumstances deviate from this amount. The advisory agreement executed between you and the firm will evidence all agreed upon terms.

We will either send you an invoice for our fee or deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when the following requirements are met:

- You provide our firm with written authorization permitting the fees to be paid directly from your account held by the qualified custodian.
- You will receive directly from your custodian monthly statements indicating all fee amounts deducted from your account. It is your responsibility to review fee calculations, as the custodian will not.

### **Special Projects**

We may conduct special projects (including investment advice) or financial planning for an hourly fee not to exceed \$250. In most cases, the fee will be decided on before the project begins.

### **Other Fees and Expenses**

As a fiduciary, our approach is to recommend institutional mutual funds and exchange-traded funds ("ETFs") with low expense ratios.

We do not recommend any mutual funds with loads or sales charges attached to funds. The mutual funds and ETFs we recommend charge their own management fees and other expenses set forth in each fund's prospectus. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. We do not determine or 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, ETFs, separate account managers, the firm, and others.

### **Refund upon Termination of Advisory Agreement**

Upon termination of the advisory agreement by either party upon the required written notice to the other party, a pro rata portion of any advisory fees that were paid but not yet earned as of the date of the end of the thirty (30) day termination period will be refunded to the client promptly.

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

We do not accept performance-based fees or participate in 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. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Fees and Compensation* section above and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## Item 7 Types of Clients

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, private foundations, charitable organizations, limited liability companies, corporations and other business entities. We have set a minimum account size of \$1,000,000 and a minimum fee of \$10,000, but in some circumstances deviate from this amount.

## 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.

### **Asset Allocation Strategy**

We employ a wide range of methods to manage portfolios and evaluate investments. We use academic research when making investment decisions. We primarily utilize an investment approach based on asset allocation. Asset allocation refers to the process of reducing risk in a portfolio through systematic diversification across asset classes and within those particular asset classes. We generally adhere to the non-active style of investing and, thus, primarily recommend structured asset class mutual funds and ETFs where stocks are purchased on predetermined criterion and formulas. We generally do not recommend individual stocks or bonds in our asset allocation strategies and portfolio recommendations to you, but we will purchase individual stocks or bonds if you desire or we think they are appropriate. Keeping your investment fees, expenses, and taxes under control is a top priority in our investment strategy.

We analyze mutual funds and ETFs recommended to clients based on a fund's total operating expense ratio, portfolio turnover, investment objective, and investment restrictions and limitations. We typically recommend that clients invest in no-load funds advised by firms such as Dimensional Fund Advisors (DFA), Blackrock, State Street, Vanguard or similar institutional fund managers that have low operating expenses, low portfolio turnover, below average capital gains distributions, and a fundamental investment objective of investing primarily in a particular asset class. Generally, DFA funds are available for investment only to clients of registered investment advisors who have been authorized by DFA. This means that you may not be able to make additional investments in DFA funds if you terminate your agreement with us, except through another adviser authorized by DFA.

We believe in diversified asset class exposure obtained primarily through a diversified mix of low-cost mutual funds and ETFs that represent desired asset classes. Mutual funds and ETFs recommended by us typically invest in some or all of the following types of securities:

- U.S. stocks (small, mid, or large capitalization)
- Foreign stocks, including emerging markets
- Investment grade fixed income securities
- Non-investment grade fixed income securities
- Tax-exempt municipal bonds
- U.S. government and government agency securities
- Derivatives
- Real estate investment trusts (domestic and foreign)

### **Separately Managed Accounts**

While we normally use mutual funds and ETFs, we may use separately managed accounts to invest your assets.

## **Sources of Information**

The main source of information utilized by us in making our investment decisions are financial newspapers and magazines, research materials, corporate rating services, annual reports, prospectuses, and other SEC filings. Through these sources and your goals and objectives, we will determine the type of investments and investment strategies to recommend to you.

## **Principal Investment Strategies**

Asset allocation models and specific funds recommended to clients typically are set forth in the client's Investment Policy Statement. We primarily recommend low-cost mutual funds and ETFs for the reason that mutual funds and ETFs can provide a diversified portfolio that is designed to limit the impact of a large fluctuation in the value of an individual stock and bond. Mutual funds and ETFs do not offer protection from market volatility. At times, different funds and separately managed accounts may be recommended to improve client portfolios. We generally invest for the long-term and do not engage in short-term market timing.

We typically recommend mutual funds and ETFs to implement our recommended investment strategies. However, we also may recommend exchange-listed stocks, separate account managers, corporate bonds and other debt securities, municipal securities, and U.S. Government Securities, depending upon your particular existing portfolio and investment objectives. We generally do not recommend individual stocks, but certain exceptions may be made in cases where the stocks were obtained before you became a client or are requested or agreed to by you.

We may give advice and take action with respect to other clients that is different from the advice, timing, and nature of action taken with respect to your account. Timing, allocation, and types of investments are determined as part of each client's overall financial plan.

## **Principal Risks**

Our primary investment goal for you is to obtain an attractive risk-adjusted rate of return consistent with your personal goals and objectives. This may result in short-term variability and loss of principal. Time horizon and risk tolerance are key determinates of a proper asset allocation. Our approach focuses on taking appropriate risks for which clients are compensated (i.e., market risk) and seeking to limit risks that do not provide compensation over the long term (i.e., individual stock risk).

Investing in securities involves risk of loss that you should be prepared to bear. We cannot guarantee you will achieve your investment objective. Your returns will fluctuate, and you may lose money by investing in securities. Below are some specific risks of investing:

- **Market Risk** - The prices of securities in which you invest may decline in response to certain events taking place around the world, including those directly involving the companies whose securities are owned by you or an underlying fund; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency, interest rate, and commodity price fluctuations. Investors should have a long-term perspective and be able to tolerate potentially sharp declines in market value.
- **Individual Company Risk** - Individual company risk is unsystematic risk. Unsystematic risk is specific and affects a very small number of assets. We believe generally, investors are not adequately compensated to take unsystematic risk, since unsystematic risk can be diversified away. Individual company risk is the risk that the company will underperform its specific industry or the general market for a variety of reasons, including new competition, employee strikes, or poor management decisions. When you buy stock in a company, you are buying a part of a real company. You are purchasing the stock with an expectation that the stock will provide you a



certain return on your investment; however, the company can perform better or worse than expected.

- **Management Risk** - Our investment approach may fail to produce the intended results. If our perception of the performance of a specific asset class or underlying fund is not realized in the expected period, the overall performance of your portfolio may suffer.
- **Fixed Income Risk** - The issuer of a fixed income security may not be able to make interest and principal payments when due. Generally, a security is issued a lower credit rating on the assumption that there is a greater risk that the issuer will default on its obligation. If a rating agency gives a debt security a lower rating, the value of the debt security will decline because investors will demand a higher rate of return. As nominal interest rates rise, the value of fixed-income securities is likely to decrease. A nominal interest rate is the sum of a real interest rate and an expected inflation rate.
- **Municipal Securities Risk** - The value of municipal obligations can fluctuate over time and may be affected by adverse political, legislative, and tax changes, as well as by financial developments that affect municipal issuers. Since many municipal obligations are issued to finance specific projects by municipalities (e.g., housing, healthcare, water and sewer projects, etc.), conditions in the specific project sector can affect the overall municipal market. Payment of municipal obligations may depend on the issuer's general unrestricted appropriation or aid. There is a greater risk if investors can look only to the revenue generated by the project. In addition, municipal bonds generally are traded in the "over-the-counter" market among dealers and other large institutional investors. From time to time, liquidity in the municipal bond market (the ability to buy and sell bonds readily) may be reduced in response to overall economic conditions and credit tightening.
- **Investment Companies Risk** - When you invest in open-end mutual funds or ETFs, the client indirectly bears its proportionate share of any fees and expenses payable directly by those funds. Therefore, the client will incur higher expenses, many of which may be duplicative. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives). ETFs are also subject to the following risks: (i) an ETF's shares may trade at a market price that is above or below their net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an ETF's share may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally. We have no control over the risks taken by the underlying funds in which you invest.
- **REIT Risk** - To the extent that a client invests in REITs, it is subject to risk generally associated with investing in real estate, such as (i) possible declines in the value of real estate, (ii) adverse general and local economic conditions, (iii) possible lack of availability of mortgage funds, (iv) changes in interest rates, and (v) environmental problems. In addition, REITs are subject to certain other risks related specifically to their structure and focus such as: dependency upon management skills; limited diversification; the risks of locating and managing financing for projects; heavy cash flow dependency; possible default by borrowers; the costs and potential losses of self-liquidating of one or more holdings; the possibility of failing to maintain exemptions from securities registration; and, in many cases, relatively small market capitalization, which may result in less market liquidity and greater price volatility.

- **Derivatives Risk** - Funds in a client's portfolio may use derivative instruments. The value of these derivative instruments derives from the value of an underlying asset, currency or index. Derivative investments by mutual funds or ETFs in which the client invests involve the risk that the value of the underlying fund's derivatives may fall more rapidly than other investments and the risk that it may lose more than the amount it invested in the derivative instrument in the first place. Derivative instruments also involve the risk that other parties to the derivative contract may fail to meet their obligations, which could cause losses.
- **Foreign Securities Risk** - Funds in which clients may invest in foreign securities. Foreign securities are subject to additional risks not typically associated with investments in domestic securities. These risks may include, among others, currency risk, country risks (political, diplomatic, regional conflicts, terrorism, war, social and economic instability, currency devaluations, and policies that have the effect of limiting or restricting foreign investment or the movement of assets), different trading practices, foreign accounting practices, less government supervision, less publicly available information, limited trading markets and greater volatility. To the extent that underlying funds invest in issuers located in emerging markets, the risk may be heightened by political changes, changes in taxation, or currency controls that could adversely affect the values of these investments. Emerging markets have been more volatile than the markets of developed countries with more mature economies.
- **Natural and Other Disasters Risk** - We have a plan in place to ensure that we fulfill our responsibility to recover from a natural or man-made disaster in the minimum amount of time, with minimum disruptions. In the event of a disaster resulting in the loss of our physical location, we will attempt to notify each client by phone or email to provide clients with alternative contact numbers.
- **Other Investment Risks** - In addition to the risks above, investing in marketable securities and investment companies has inherent general risks. Most risks can be specified, as set forth above, but not all. As with most investing, it is possible to experience the loss of principal.

Our investment strategies and advice may vary depending on each client's specific financial situation. As such, we determine investments and allocations based on your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

Our strategies and investments may have unique and significant tax implications. While minimizing income taxes is an important consideration in managing your assets, unless we agree in writing tax efficiency is not our primary consideration in the management of your assets. We consider your tax efficiency and recommend using high cost or tax lot optimizer. However, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Moreover, because of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the FIFO (First-In First-Out) accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to the firm immediately, and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

**Risk of Loss**

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 or insulate clients from losses due to market corrections or declines, or other reasons. 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. We do not attempt to time the market or identify market tops or bottoms.

**Item 9 Disciplinary Information**

TAGStone Capital, Inc. and its beneficial owner, W. Reid Culp III, have no reportable disciplinary information.

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

We do 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.

1. Broker-dealer, municipal securities dealer, or government securities dealer or broker
2. 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)
3. Other investment adviser or financial planner
4. Futures commission merchant, commodity pool operator, or commodity trading advisor
5. Banking or thrift institution
6. Accountant or accounting firm
7. Lawyer or law firm
8. Insurance company or agency
9. Pension consultant
10. Real estate broker or dealer
11. Sponsor or syndicator of limited partnerships

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

We strive to comply with applicable laws and regulations governing our practices. 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. Therefore, our code of ethics includes guidelines for professional standards of conduct for persons associated with the firm.

All persons associated with the firm are expected to adhere strictly to these guidelines. Persons associated with the firm are also required to report any violations of our code of ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with the firm.

Clients or prospective clients may obtain a copy of our code of ethics by contacting us at the telephone number on the cover page of this brochure.

**Participation or Interest in Client Transactions**

Neither the firm nor any associated persons have any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

## **Personal Trading Practices**

The firm or persons associated with the firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. Our code of ethics also requires that certain persons associated with the firm submit reports of their personal account holdings and transactions to a qualified representative of the firm who will review these reports on a periodic basis. It is our policy that neither the firm nor persons associated with the firm shall have priority over your account in the purchase or sale of securities.

## **Item 12 Brokerage Practices**

### **Recommending Brokerage Firms**

We typically recommend the brokerage and custodial services of the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab Institutional"), a securities broker-dealer and a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). We believe that Schwab Institutional provides quality execution services for you at competitive prices. However, price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by Schwab Institutional, including the value of research provided, the firm's reputation and financial stability, execution capabilities, commission rates, and responsiveness to our clients and the firm.

Schwab Institutional provides us with access to its institutional trading and operations services, typically unavailable to Schwab retail investors. Schwab Institutional services may include research, brokerage, custody, access to mutual funds, and other investments that are otherwise available only to institutional investors or would require significantly higher minimum initial investments. We also have access to software and other technology that provides access to client account data (such as trade confirmations and account statements), facilitates trade execution, provides research, pricing information, and other market data, facilitates payment of advisory fees from clients' accounts, and assists with back-office support, recordkeeping and client reporting. The availability of the foregoing products and services is not contingent upon us committing to Schwab Institutional any specific amount of business (assets in custody or trading).

### **Best Execution**

Although we routinely request that you direct us to execute all transactions through Schwab Institutional, you may direct the use of another qualified custodian or broker-dealer. As a fiduciary, we have an obligation to seek the best execution of your transactions under the circumstances of the particular transaction. We have evaluated the full range of brokerage services offered and determined that Schwab Institutional has reliable execution capability compared to other comparable brokers.

We recommend Schwab Institutional based on its low mutual fund transaction fees, execution capabilities, financial stability, good administrative capability, accurate communications/settlement processing, and corporate culture. Even though you could potentially obtain a more favorable net price and execution from another broker-dealer in particular transactions or from a discount broker, we believe the commissions and fees charged by Schwab Institutional are competitive.

In limited circumstances, and at our discretion, some clients may instruct the firm to use one or more particular brokers for the transactions in their accounts. This practice may prevent the 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 compared to those we would otherwise obtain for you.

**Research and Other Soft Dollar Benefits**

We do not receive soft dollar benefits.

**Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

**Block Trades**

We do not combine multiple orders for shares of the same securities purchased for advisory accounts we manage (the practice of combining multiple orders for shares of the same securities is commonly referred to as "block trading"). Accordingly, you may pay different prices than other clients pay for the same securities transactions. We may not be able to buy and sell the same quantities of securities for you. Furthermore, you may pay higher commissions, fees and/or transaction costs than other clients.

**Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, the trade error will be corrected in the trade error account of the executing broker-dealer and are generally left in the client's account or otherwise subject to the client's acting custodian's policy.

**Item 13 Review of Accounts**

Periodically, we will review your accounts for adherence to the portfolio's asset allocation strategy and execute changes in accounts as deemed necessary by us. The nature and frequency of account reviews vary. Your asset allocation strategy is reviewed periodically upon changes in your goals and/or resources. In addition to periodic reviews, a large deposit or withdrawal may also prompt a review of a client portfolio. Our philosophy is to maintain the desired portfolio within an acceptable asset allocation range while respecting the costs associated with trading. W. Reid Culp III reviews your accounts.

We will provide quarterly reports containing current and cumulative account performance. You will receive trade confirmations and monthly or quarterly statements from your account custodian.

**Item 14 Client Referrals and Other Compensation**

We encourage and promote referrals of clients to our company. We do not, but may in the future, compensate people or firms for providing referrals.

As our fiduciary responsibility to you, we may refer you to other service professionals as requested or deemed necessary, based on your specific needs. For example, we may refer clients to accountants, insurance agents, and attorneys. We may have a conflict of interest in making these recommendations because we may receive referrals from professionals we have recommended to clients.

We do not receive sales charges, commissions, service fees, 12b-1 fees, or other compensation from a non-client in connection with providing advice to a client.

## Item 15 Custody

We do not maintain physical custody of client funds or securities. We recommend Charles Schwab & Co. as the custodian of your accounts. You will receive monthly statements from the custodian. We recommend that you review your account statements carefully for accuracy.

Performance reports are sent to you quarterly. We encourage you to compare the performance reports to the custodian statements and promptly report any issues.

You should review the statements from your account custodian to review the information reflected on each statement. If you have a question regarding your account statement or did not receive a statement from your custodian, please contact us directly at the telephone number on the cover page of this brochure.

### Disbursement Authorization

Pursuant to Rule 206(4)-2 (the "Custody Rule"), investment advisers are deemed to have custody over client funds or securities where the investment adviser has authority to transfer or disburse client funds. As a convenience and service for our clients, some clients may authorize our firm, through the client's acting custodian(s), to assist with such transfers and/or disbursements. In these instances, we are deemed to have custody over client accounts since we will have disbursement or money-movement authority.

Consequently, we have taken steps to implement controls in efforts to comply with the SEC's Custody Guidance (SEC No-Action Letter dated February 21, 2017; SEC Custody Rule FAQ II.4; and IM Guidance Update No. 2017-01), including, but not limited to: (1) adhering to the seven conditions specific to Standing Letters of Authorization delineated in the SEC No-Action Letter; (2) amending our Form ADV; and (3) amending our internal policies procedures. Since many of the seven conditions involve the qualified custodian's operations, we will collaborate closely with our clients' acting custodian(s) in efforts to ensure that the representations are being satisfied.

## Item 16 Investment Discretion

We will assist you in opening an account with an independent custodian, broker-dealer, or directly with a mutual fund company. Pursuant to a written agreement, clients typically grant us discretionary authority over their accounts to determine the securities to be bought and sold, place trades, and periodically rebalance their account back to the recommended allocation. We have no obligation to supervise or direct investments held in client accounts that were not recommended, not subject to review, and/or the client does not pay an advisory fee.

You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your accounts.

If you enter into non-discretionary arrangements with the firm, we will obtain your approval prior to the execution of any transactions for your accounts. You have an unrestricted right to decline to implement any advice provided by the firm on a non-discretionary basis.

## Item 17 Voting Client Securities

Typically, you retain authority to vote proxies of securities held in your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting



rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized the firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

## **Item 18 Financial Information**

We are not aware of any financial condition that is reasonably likely to impair our ability to meet our commitments to you.

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

The firm is registered at the federal level with the SEC and is not required to respond to this item.

## **Item 20 Additional Information**

### **Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any non-public personal information about you to any non-affiliated third parties, except as required in response to proper legal process. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to non-public personal information about you to employees who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your non-public personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction at your request or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with the firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact our main office at the telephone number on the cover page of this brochure if you have any questions regarding this policy.

### **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class-action lawsuit or whether you are eligible to participate in class action settlements or litigation. Further, we do not initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

### **IRA Rollover Considerations**

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our

management, we will charge you an asset-based fee as set forth in the agreement you executed with our firm. This practice presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee-based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages, and before making a change, we encourage you to speak with your CPA and/or tax attorney.

If you are considering rolling over your retirement funds to an IRA for us to manage here are a few points to consider before you do so:

1. Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
  1. Employer retirement plans generally have a more limited investment menu than IRAs.
  2. Employer retirement plans may have unique investment options not available to the public, such as employer securities or previously closed funds.
2. Your current plan may have lower fees than our fees.
  1. If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
  2. You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.
3. Our strategy may have higher risk than the option(s) provided to you in your plan.
4. Your current plan may also offer financial advice.
5. If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution beyond a certain age.
6. Your 401k may offer more liability protection than a rollover IRA; each state may vary.
  1. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules, so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.
7. You may be able to take out a loan on your 401k, but not from an IRA.
8. IRA assets can be accessed at any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses, or the purchase of a home.
9. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.



It is important that you understand the differences between these types of accounts and decide whether a rollover is best for you. Prior to proceeding, if you have questions, contact your investment adviser representative or call our main number as listed on the cover page of this Disclosure Brochure.

### **IRA Rollover Recommendations**

For purposes of complying with the DOL's Prohibited Transaction Exemption 2020-02 ("PTE 2020-02") where applicable, we are providing the following acknowledgment to you.

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interests ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

We benefit financially from the rollover of your assets from a retirement account to an account that we manage or provide investment advice, because the assets increase our assets under management and, in turn, our advisory fees. As a fiduciary, we only recommend a rollover when we believe it is in your best interest.

# **William Reid Culp III**

**CRD No. 5994335**

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## **TAGStone Capital, Inc.**

March 30, 2022

### **FORM ADV PART 2B BROCHURE SUPPLEMENT**

This brochure supplement provides information about William Reid Culp III that supplements TAGStone Capital, Inc. You should have received a copy of that brochure. Please contact us at (704) 533-8900 if you did not receive TAGStone Capital, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about William Reid Culp III is available on the SEC's website at [www.advisersinfo.sec.gov](http://www.advisersinfo.sec.gov).

## Item 2 Educational Background and Business Experience

**William Reid Culp III**

*Year of Birth:* 1987

### **Formal Education after High School:**

- The Kenan-Flagler Business School at the University of North Carolina at Chapel Hill, B.S., Business Administration, 2005-2009
- Mr. Culp is CFA® charterholder and a Certified Financial Planner™ professional.
- Mr. Culp holds a Series 65 license

### **Business Background for the Previous Five Years:**

- TAGStone Capital, Inc., President, 10/2011 - Present
- TAGStone Capital, Inc., Investment Adviser Representative, 11/2011 - Present

## Item 3 Disciplinary Information

Mr. William Reid Culp III does not have, nor has he ever had any disciplinary disclosure.

## Item 4 Other Business Activities

William Reid Culp III does not receive any additional compensation for providing advisory services beyond the fee-based compensation he receives through TAGStone Capital, Inc.

William Reid Culp III is not actively engaged in any other business or occupation (investment-related or otherwise) beyond his capacity as President of TAGStone Capital, Inc. Moreover, TAGStone Capital, Inc. does not receive any commissions, bonuses, or other compensation based on the sale of securities or other investment products.

## Item 5 Additional Compensation

Mr. William Reid Culp III does not receive any additional compensation for providing advisory services beyond that received as a result of his capacity as President of TAGStone Capital, Inc.

Also, please refer to the *Fees and Compensation* section and the *Client Referrals and Other Compensation* section of TAGStone Capital, Inc. firm brochure for additional disclosures on this topic.

## Item 6 Supervision

Mr. William Reid Culp III is the President, Chief Compliance Officer, and sole advisory representative of TAGStone Capital, Inc.; therefore, supervision is not required.