

**Form ADV Part 2A: *Firm Brochure***



**Flagstone Financial Management, LLC**

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This disclosure brochure provides information about the qualifications and business practices of Flagstone Financial Management, LLC (also referred to as we, us, Flagstone and Flagstone Financial Management throughout this disclosure brochure). If you have any questions about the contents of this brochure, please contact us at 402-413-0440 or [info@flagstonefm.com](mailto:info@flagstonefm.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.

Additional information about Flagstone Financial Management is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for Flagstone Financial Management, LLC or our firm's CRD number 285484.

Flagstone Financial Management is a registered investment advisor with the SEC. Registration as an investment adviser does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

Since filing our last Annual Amendment to this brochure in Feb. 2023, the following changes have been made to this version of the Disclosure Brochure:

- Item 4 - Flagstone Financial Management offers investment management services for select Donor Advised Funds. Please see pg. 7 and 13 for a description of this service and related fees.

We will ensure that you receive a summary of any material changes to this and subsequent disclosure brochures within 120 days after our firm's fiscal year ends. Our firm's fiscal year ends on December 31, so you will receive the summary of material changes no later than April 30 each year. At that time, we will also offer or provide a copy of the most current disclosure brochure. We will also provide other ongoing disclosure information about material changes as necessary.

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## **Item 4 – Advisory Business**

Flagstone Financial Management is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”) and is a Limited Liability Company formed under the laws of the State of Nebraska in September 2016.

- Flagstone Financial Management is 100% owned by Flagstone Holdings, a holding company of which Michael T. Johnson is the primary shareholder and President. Michael T. Johnson is the Chief Compliance Officer of Flagstone Financial Management.
- Flagstone Financial Management has been registered as an investment adviser since November 2016.

The investment advisory services of Flagstone Financial Management are provided to you through an appropriately registered individual who is an investment adviser representative of Flagstone Financial Management (referred to as your investment adviser representative throughout this brochure).

### **Advisory Services**

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

### ***Investment Management***

We are the sponsor of the Strategic Wealth Management Program (“SWM Program”), a non-wrap fee asset management program developed through an arrangement using LPL Financial Corporation’s (“LPL”) Strategic Wealth Management platform. Through the SWM Program, we provide investment management services, including providing continuous investment advice and making investments for you based on your individual needs. Through this service, we offer a customized and individualized investment program. An asset allocation strategy and suitability profile are created to focus on your specific goals and objectives. Your suitability information should be updated regularly, but at a minimum, annually.

SWM Program accounts are custodied at LPL in its capacity as a registered broker/dealer, member FINRA/SIPC. LPL is also an investment advisor registered with the SEC but does not serve as an investment advisor for you through the SWM Program. LPL provides clearing, custody and other brokerage services for accounts established through the SWM Program. Therefore, you are required to establish a brokerage account(s) through LPL’s Strategic Wealth Management platform. Separate accounts are maintained for you, and you retain all rights of ownership of your accounts (e. g., the right to withdraw securities or cash, exercise proxy voting, and receive transaction confirmations).

SWM Program accounts allow you to authorize us to purchase and sell, on either a discretionary or non-discretionary basis, portfolios consisting of securities and investments. We can limit our discretion with respect to your account and the securities eligible to be purchased for your account.

*(See, Limits Advice to Certain Types of Investments under Item 4 - Advisory Business, relative to possible securities and investments utilized. See Item 16 - Investment Discretion, for information concerning discretionary authority.)*

You will receive an account statement from LPL showing account activity as well as positions held in the account as of the statement end date. You will automatically receive quarterly statements from LPL unless you elect to receive monthly statements by informing us of your preference. Monthly statements are available to view online through LPL's account view portal regardless of the frequency of mailed statements.

Additionally, you will receive confirmation of each transaction that occurs within the SWM Program account unless the transaction is the result of a systematic purchase, redemption or exchange. All account data, performance reports, and statements will be produced and provided by LPL. These items are also available to view online through LPL's account view portal.

### ***Financial Planning & Consulting Services***

We provide financial planning services on topics such as retirement planning, risk management, tax planning, college savings, cash flow, debt management, work benefits, and estate and incapacity planning.

Financial planning is a comprehensive evaluation of your present and future financial state, using currently known variables to forecast cash flows, asset values, and withdrawal plans. Through the financial planning process, we will consider your entire financial and life situation to provide holistic advice that is specific to you and designed to help you achieve your stated financial goals and objectives. We will present the financial plan in an interactive manner, in person or remotely, and upon request, we will provide you with a copy of your financial plan report.

In general, the financial plan will address any or all of the following areas of concern. You and the advisor will work together to select the specific areas to cover. These areas can include, but are not limited to, the following:

1. **Financial Goals:** We will help you identify financial goals and develop a plan to reach them. We will identify what you plan to accomplish, what resources you will need to make it happen, how much time you will need to reach the goal, and how much you should budget for your goal.
2. **Investment Analysis:** This can involve developing an asset allocation strategy to meet your financial goals and risk tolerance, providing information on investment vehicles and strategies, reviewing employee stock options, as well as assisting you in establishing your own investment account at a selected broker/dealer or custodian. The strategies and types of investments we recommend are further discussed in Item 8 of this brochure.
3. **Retirement Planning:** Our retirement planning services typically include projections of your likelihood of achieving your financial goals, typically focusing on financial independence as the primary objective. For situations where projections show less than the desired results, we will make recommendations, including those that will impact the original projections by adjusting certain variables (e.g., working longer, saving more, spending less, taking more risk with investments). If you are near retirement or already retired, advice can be given on appropriate

distribution strategies to minimize the likelihood of running out of money or having to adversely alter spending during your retirement years.

4. **Tax Planning Strategies:** Advice can include ways to minimize current and future income taxes as a part of your overall financial planning picture. Examples include recommendations on which type of account(s) or specific investments should be owned based in part on their “tax efficiency,” with consideration that there is always a possibility of future changes to federal, state or local tax laws and rates that can impact your situation.

We recommend that you consult with a qualified tax professional before initiating any tax planning strategy, and we will provide you with contact information for accountants or attorneys who specialize in this area if you wish to hire someone for such purposes. We will participate in meetings or phone calls between you and your tax professional with your approval or request.

5. **Estate Planning:** This typically includes an analysis of your exposure to estate taxes and your current estate plan, which can include whether you have a will, powers of attorney, trusts, and other related documents. Our advice also typically includes ways for you to minimize or avoid future estate taxes by implementing appropriate estate planning strategies such as the use of applicable trusts. We always recommend that you consult with a qualified attorney when you initiate, update, or complete estate planning activities. We will provide you with contact information for attorneys who specialize in estate planning when you wish to hire an attorney for such purposes. We will participate in meetings or phone calls between you and your attorney with your approval or request.
6. **College Savings:** This includes projecting the amount that will be needed to achieve college or other post-secondary education funding goals, along with advice on ways for you to save the desired amount. Recommendations as to savings strategies are included, and, if needed, we will review your financial picture as it relates to eligibility for financial aid or the best way to contribute to grandchildren (if appropriate).
7. **Insurance:** This includes a review of existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home, and automobile. Flagstone does not sell insurance products or receive compensation from the sale of insurance products.
8. **Risk Management:** A risk management review includes an analysis of your exposure to major risks that could have a significant adverse impact on your financial picture, such as premature death, disability, property and casualty losses, or the need for long-term care planning. Advice can be provided on ways to minimize such risks and about weighing the costs of purchasing insurance versus the benefits of doing so and, likewise, the potential cost of not purchasing insurance (“self-insuring”).
9. **Employee Benefits Optimization:** We will provide review and analysis as to whether you, as an employee, are taking the maximum advantage possible of your employee benefits. If you are a business owner, we will consider and/or recommend the various benefit programs that can be structured to meet both business and personal retirement goals.

10. **Cash Flow and Debt Management:** We will conduct a review of your income and expenses to determine your current surplus or deficit along with advice on prioritizing how any surplus should be used or how to reduce expenses if they exceed your income. Advice will also be provided on which debts to pay off first based on factors such as the interest rate of the debt and any income tax ramifications. We will also recommend what we believe to be an appropriate cash reserve that should be considered for emergencies and other financial goals, along with a review of accounts (such as money market funds) for such reserves, plus strategies to save desired amounts.
11. **Business Planning:** We provide consulting services for clients who currently operate their own business, are considering starting a business, or are planning for an exit from their current business. Under this type of engagement, we work with you to assess your current situation, identify your objectives, and develop a plan aimed at achieving your goals.

### ***Employer Plan Services***

Our firm provides employee benefit plan services to employer plan sponsors on an ongoing basis. Generally, such services consist of assisting employer plan sponsors in establishing, monitoring and reviewing their company's participant-directed retirement plan. However, our advice can also include investment options, plan structure, and participant education.

In providing employee benefit plan services, our firm does not provide any advisory services with respect to the following types of assets: employer securities, real estate (excluding real estate funds and publicly traded REITS), participant loans, non-publicly traded securities or assets, other illiquid investments, or brokerage window programs (collectively, "Excluded Assets").

### ***Donor Advised Funds – Investment Management***

Our firm provides investment management services for select Donor Advised Funds (DAF). This service is available to Flagstone clients who utilize DAF sponsors that partner with LPL Financial as custodian. Upon the donation of a charitable gift, ownership of the donation transitions to the DAF sponsor. However, through mutually agreed upon arrangements between the donor, Flagstone and the DFA sponsor, Flagstone will manage the investments according to the donor's charitable objectives and preferences.

The decision to initiate a charitable donation or grant from the DAF rests solely with the client who donated the gift. Each DAF sponsor may establish minimum donation thresholds for setting up a new DAF. For further information, we encourage clients to refer to the DAF sponsor's program requirements.

### ***General Information about our Services***

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

Flagstone provides investment advice on the following types of investments:

- Mutual Funds
- Exchange-listed Securities
- Securities Traded Over the Counter
- Certificates of Deposit
- Municipal Securities
- Variable Annuities

- U.S. Government Securities
- Corporate Bonds

Although we generally provide advice only on the products previously listed, we reserve the right to offer advice on any investment product that we consider suitable for each client's specific circumstances, needs, goals and objectives.

It is not our typical investment strategy to attempt to time the market, but we can increase cash holdings modestly as deemed appropriate based on your risk tolerance and our expectations of market behavior. We will modify our investment strategy to accommodate special situations such as low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations.

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

#### Advisory Services Tailored to Individual Needs of Clients

Flagstone Financial Management's advisory services are provided based on your individual needs. We work with you on a one-on-one basis through interviews or questionnaires to determine your investment objectives and suitability information. We will not enter an investment adviser relationship with a prospective client whose investment objectives are considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

#### Financial Planning and Non-Investment Consulting or Implementation Services

Flagstone Financial Management provides financial planning and consulting services regarding non-investment related matters, such as estate planning, retirement planning, tax planning, insurance, etc. Flagstone Financial Management does not serve as an attorney, accountant, or insurance agent, and no portion of Flagstone Financial Management's services should be construed as such.

To the extent requested by a client, Flagstone Financial Management will recommend the services of other professionals for certain non-investment implementation purposes (i.e., attorneys, accountants, insurance, etc.). You are under no obligation to engage the services of any such recommended professional. You retain absolute discretion over all such implementation decisions and are free to accept or reject any recommendation from Flagstone Financial Management and/or its investment adviser representatives.

**Please Note:** If you engage any such recommended professional, and a dispute arises thereafter relative to such engagement, you agree to seek recourse exclusively from and against the engaged professional.

**Client Obligations:** In performing its services, Flagstone Financial Management shall not be required to verify any information received from you or from your other professionals and is expressly authorized to rely thereon. Moreover, you are advised that it remains your responsibility to promptly notify Flagstone Financial Management if there is ever any change in your financial situation or investment objectives for the purpose of reviewing, evaluating, or revising our previous recommendations and/or services.



### **Discretionary Assets Under Management by Flagstone Financial Management**

As of December 31, 2023, our firm actively manages \$ 318,028,853 of client assets 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 our firm'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.

### **Investment Management - Strategic Wealth Management Program**

The asset management fee will be set forth in the agreement between you and LPL Financial. The two primary ways we charge asset-based fees are as follows:

1. Household Tiered Billing – We will combine assets we manage by “household” so that all accounts held by a client and his or her spouse will be aggregated together for purposes of billing. Your advisory fee will be a blended % rate based on your total household balance at the end of each quarter, using the tiers shown in the table below.

<b>These dollars</b>	<b>are billed at this rate:</b>
\$1- \$500,000	1.25%
\$500,001 to \$1,000,000	.75%
\$1,000,001 to \$5,000,000	.60%
\$5,000,001 to \$10,000,000	.50%
\$10,000,001+	.40%

***\*Clients with at least \$500,000 in total household assets under management will receive financial planning services at no additional cost.***

For example, if your total household balance is \$1,250,000 at the end of the quarter, the annualized blended fee rate would be .92% (500k is billed at 1.25% and the amount above that up to 1M, is billed at .75%, and so on).

Under household tiered billing, the percentage fee charged on each account will automatically adjust each quarter as the assets managed by Flagstone increase/decrease based on market changes or deposits and withdrawals.

2. Fixed Percentage Billing – We will assign a fixed annual percentage charged on each account managed by Flagstone. Under this structure, the annual investment advisory fee will vary

between 0.00% and 1.5% and will not change automatically as assets in your account go up or down based on market changes or deposits and withdrawals. This billing method will be used for client account types not supported by LPL's household billing technology or for fees that have been negotiated or grandfathered.

The annual fee is divided and paid quarterly, in advance, through a direct debit to your account. LPL is responsible for calculating and debiting all fees from your accounts. You must provide LPL with written authorization to debit advisory fees from your accounts and pay the fees to Flagstone Financial Management.

Fees are negotiable and can vary depending on the types of securities held in your account, complexity of your portfolio, your financial planning needs, and the time and effort necessary to advise and manage your account(s).

Prior to engaging Flagstone Financial Management to provide investment management services through the SWM Program, you are required to enter into a formal investment advisory agreement with Flagstone setting forth the terms and conditions under which we manage your assets and a separate custodial/clearing agreement with LPL Financial, including the detail of your investment advisory fees.

Our SWM Program is a non-wrap or traditional account. This means in addition to our investment advisory fee; you also pay certain transaction charges to defray the costs associated with trade execution and account maintenance. These costs are paid directly to LPL Financial and are listed in the LPL Strategic Wealth Management account agreement. Flagstone's management fees are separate and distinct from these fees.

You can also incur charges imposed by third parties, such as investment companies, in connection with investments recommended to you and made through your account(s). A description of these fees and expenses is available in each investment company security's prospectus and can include, but is not limited to, management fees, 12b-1 fees, or other fund expenses. If the fund also imposes sales charges, you might pay an initial or deferred sales charge. In such cases where a 12b-1 fee is paid, LPL retains the entire 12b-1 fee and our representatives do not receive any portion of the 12b-1 fee. For ERISA accounts, there is an offset for any amount of 12b-1 fees. Flagstone's management fees are separate and distinct from the fees and expenses charged by investment company securities to their shareholders.

Our SWM Program can cost you more or less than if the assets were held in a traditional brokerage account. In a brokerage account, you are charged commissions for each transaction, and the representative has no duty to provide ongoing advice with respect to the account. If you plan to follow a buy and hold investment strategy for the account or do not wish to purchase ongoing investment advice or management services, you should consider opening a commission-based brokerage account through a different financial professional.

Either party can terminate the agreement for Flagstone Financial Management's advisory services at any time. If services are terminated within five business days of executing the agreement, services are terminated without penalty and a full refund of all fees paid in advance is provided. If services are terminated after the initial five-day period, we provide you with a prorated refund of fees paid in advance. The refund is based on the number of days service is provided during the final billing period. Termination is effective from the time the other party receives written notification or such other time as mutually

agreed upon, subject to the settlement of transactions in progress and the final refund of advisory fees. There is no penalty charge on termination.

### **Financial Planning & Consulting Services**

Clients with total household assets under management of \$500,000 or more through Flagstone's advisory services via the SWM Program, will be offered financial planning and consulting services at no additional cost. For clients under the \$500,000 threshold, the two primary ways we charge for our financial planning services are listed below.

1. Ongoing Fixed-Fee Financial Planning -- An initial fee of \$2,000 will be collected up front, followed by ongoing fixed monthly charges. The minimum monthly fee is \$400. The actual monthly fee is negotiable, will range between \$400 to \$2,000 per month, and will be based on the services requested and the complexity of the client's situation. The monthly planning fee amount will be set forth in the agreement between you and Flagstone Financial Management.

Ongoing financial planning fees automatically increase by 3% each year in January due to the expected increase in the complexity of the client's planning needs and inflation. For example (since this fee is an annual fee billed monthly), an annual fee of \$4,800 would be increased by 3% then divided by 12, which would result in a new annual fee of \$4,944 and the new monthly fee would be \$412.

The standard billing dates for Ongoing Fixed-Fee Financial Planning will commence one month after the initial up-front payment is received and occur monthly thereafter until the date at which time the engagement is terminated by either you or Flagstone Financial Management. Upon presentment of the initial invoice to you for these services, you can authorize recurring electronic payments through AdvicePay or you can submit payment directly to us by check. You should notify Flagstone Financial Management within ten (10) days of receipt of an invoice if you have questions about or dispute any billing entry.

On-going services can be terminated by either you or Flagstone Financial Management by providing the other party with written notice.

2. One-Time Financial Plan -- Fees for financial planning and consulting services will be charged on a fixed fee basis as determined jointly by you and Flagstone Financial Management. These fees range between \$4,000 to \$15,000 per engagement. Fixed fees are negotiable based upon the actual services requested and the complexity of your situation. The one-time planning fee amount will be set forth in the agreement between you and Flagstone Financial Management.

If it is determined by Flagstone that the plan is significantly more complex than originally determined, we reserve the right to charge an additional fixed fee and will request your permission prior to proceeding with any additional work.

Unless otherwise agreed, you will be required to pay up to ½ (one-half) of the fee at the time you execute an engagement for services with the remaining amount due upon presentation of the plan or completion of services and we provide you with a billing statement.

One-time services terminate thirty (30) days following the delivery of the written financial plan or completion of all consultations. If you terminate our services prior to the completion of our services and presentation of the plan, you will be responsible for immediate payment of any financial planning services performed by Flagstone Financial Management prior to the receipt by Flagstone Financial Management of your notice. You will pay a pro-rated fixed fee equivalent to the percentage of work we have completed as determined by Flagstone Financial Management. You are required to pay immediately any outstanding balance of fees due. If there is a remaining balance of any fees paid in advance after the deduction of fees from the final invoice, those remaining proceeds will be refunded by Flagstone Financial Management to you.

All fees paid to Flagstone Financial Management for financial planning services are separate and distinct from the commissions charged by a broker-dealer or asset management fees charged by an investment adviser to implement such recommendations.

Our investment adviser representatives can waive or reduce financial planning fees charged to clients not receiving other services detailed in this brochure. The decision to provide financial planning services to clients on a lower or no-fee basis is typically provided to clients with a personal relationship with the investment adviser representative, done for philanthropic reasons or based on negotiations with the client.

### **Employer Plan Services**

For retirement plan sponsor clients, Flagstone Financial Management will charge an annual fee that is calculated as a percentage of the value of plan assets. The fee for these services will range from 0.00% to 1.50%, is negotiable and will be dependent upon the complexity of the plan, the program used to invest the assets (if any), the size of the plan assets, the actual services requested and the potential for additional deposits. The fee amount will be set forth in the agreement between you and Flagstone Financial Management.

For retirement plan sponsors and participants, the fee calculation and billing methods are determined by the plan sponsor platform and custodian and will be specified in the Flagstone Financial Management Qualified Retirement Plan Agreement. Generally, fees can be billed quarterly or monthly, in advance or in arrears of the billing period, and calculated based on average daily balance or end of billing period balance. Fees are prorated (based on the number of days service is provided during the initial billing period) for accounts opened at any time other than the beginning of the billing period.

Retirement plan sponsors can elect to pay all or a portion of fees for the individualized services provided by us to the plan participants.

Clients will have the fee deducted from their account or if the plan sponsor allows, will have the option to be billed directly and due upon receipt of the billing notice. If clients elect to have the fee automatically deducted from an existing account, they are required to provide the custodian with written authorization to deduct the fees from the account and pay the fees to Flagstone Financial Management. All fees are calculated and debited by the Plan custodian.

You can terminate these services upon providing Flagstone Financial Management with notice. We will terminate the services upon providing you with written notice effective upon 30 days after you receive the written notice. If services are terminated within five business days of signing the client agreement,

services are terminated without penalty. Any prepaid but unearned fees are promptly refunded to the client at the effective date of termination.

### **Donor Advised Funds – Investment Management**

For DAF investment management services, Flagstone will charge an annual fee based on a percentage of the DAF assets. This fee is separate from the administrative fee charged by the DAF sponsor. Flagstone's annual fee ranges from 0.0% to 1.5% and can be negotiated. The fee amount will be set forth in the agreement between you and Flagstone Financial Management. Prior to engaging Flagstone to provide DAF investment management services, you are required to enter into a formal agreement with a DAF sponsor partnered with LPL Financial as custodian.

Flagstone's fee will be billed quarterly, in advance and is calculated based on the balance at the end of the billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for accounts opened at any time other than the beginning of the billing period. Flagstone's fee will be deducted from the DAF LPL account and will be calculated and debited by LPL Financial.

Either party can terminate the agreement for Flagstone Financial Management's advisory services at any time. If services are terminated within five business days of executing the agreement, services are terminated without penalty and a full refund of all fees paid to Flagstone in advance is provided. If services are terminated after the initial five-day period, we provide you with a prorated refund of fees paid in advance. The refund is based on the number of days service is provided during the final billing period. Termination is effective from the time the other party receives written notification or such other time as mutually agreed upon, subject to the settlement of transactions in progress and the final refund of advisory fees. There is no penalty charge on termination.

### **General Information about our Fees**

All fees paid to Flagstone Financial Management for advisory services are separate and distinct from the fees and expenses charged by other plan vendors and service providers such as custodians, third-party administrators, and mutual fund sponsor companies. Flagstone Financial Management does not reasonably expect to receive any other compensation, direct or indirect, for its services. If we receive any other compensation for such services, we will (i) offset that compensation against our stated fees, and (ii) will disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to you.

### **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 we do not charge or accept performance-based fees.

### **Item 7 – Types of Clients**

Flagstone Financial Management generally provides investment advice to the following types of clients:

- Individuals
- High net worth individuals

- Foundations and endowments
- Banks or thrift institutions
- Pension and profit-sharing plans
- Trusts, estates, or other charitable organizations
- Corporations or business entities other than those listed above

You are required to complete a written agreement with Flagstone Financial Management specifying specific advisory services to establish a client arrangement with Flagstone Financial Management.

### **Minimum Investment Amounts Required**

We do not impose a minimum investment amount for the SWM Program.

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

### **Methods of Analysis**

Flagstone Financial Management's security analysis is based on several factors, including those derived from academic research and literature, commercially available financial software technology, securities rating services, general market and financial information, due diligence reviews and specific investment analysis that clients request. Flagstone Financial Management practices an evidence-based approach to investing. Flagstone Financial Management's focus is understanding the investment best practices and body of knowledge defined by the last 50-plus years of academic and practitioner research. This research is ongoing and will continue to shape the recommendations Flagstone Financial Management makes to its clients. Flagstone Financial Management's investment strategy guidance is not defined by what we "think" markets, the economy or interest rates are going to do. That approach to investing is typically referred to as "active management," and Flagstone Financial Management does not generally follow this framework (except under limited circumstances).

### **Investment Strategies**

Flagstone Financial Management has 6 core investment philosophies:

**Markets Are Efficient** – The market's pricing power makes it difficult for investors to time or outsmart other market participants through stock picking or market timing. In hindsight, there are mispriced securities from time to time, but it is very difficult to consistently know those mispriced securities on a forward-looking basis.

**Cost Matters** – The overall costs an investor pays are an important consideration in developing a prudent investment plan. While costs aren't the only factor, we pay close attention to managing the overall costs of the investments we recommend for clients.

**Diversify Globally** – It is very hard to predict which areas of the global markets will do better than others at any given time. Accordingly, we prefer to broadly diversify investments between multiple investment

classes to even the investment ups and downs as much as possible and provide different asset classes among which we can rebalance your portfolio.

**Markets Reward Discipline** – Study after study shows the typical investor is not wired to succeed in financial markets. There is an entire field of research in this area called Behavioral Finance. Investors tend to buy high and sell low due to allowing their emotions to drive their investing decisions. We work hard with our clients to avoid the behavioral traps that can lead to making poor decisions. We do this by sticking with our core beliefs and following a disciplined investment process that seeks to take emotion out of decision-making moments.

**Optimism Triumphs** – There will always be reasons to be pessimistic about investing. If one looks back and focuses on all the scary issues that have confronted the financial markets from the beginning of time, we might all have money stashed under our mattress. Despite these negative aspects, historically the markets have continued to march forward in an inconsistent, but generally positive way. We believe an optimistic attitude towards the markets can provide a better investment experience than a pessimistic attitude.

**Tax Efficiency** – Investing in tax efficient investments, following asset location principals where possible and according to the individual client's needs and priorities, and managing gains and losses in concert with other portfolio positions and the circumstances of each client, can add significant value to clients over time.

### **Risk of Loss**

Past performance is not indicative of future results. Therefore, you should never assume that the 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. Further, depending on the different types of investments there are varying degrees 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, our firm 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 corrections or declines. There are certain additional risks associated with investing in securities through our investment management program, as described below:

- **Market Risk** – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- **Equity (stock) risk** – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you hold common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you hold preferred stocks and debt obligations of the issuer.
- **Company Risk**. When investing in stock positions, 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 could be reduced.

- Fixed Income Risk. When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Options Risk. Options on securities can be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put or call options are highly specialized activities and entail greater than ordinary investment risks.
- Exchange Traded Fund (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 can also incur trading costs from the custodian or broker-dealer when purchasing ETFs or mutual funds.
- Management Risk – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.
- Margin Risk - When you purchase securities, you can pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you intended to borrow funds in connection with your Account, you will be required to open a margin account, which will be carried by the clearing firm. The securities purchased in such an account are the clearing firm's collateral for its loan to you.

If those securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and as a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm can issue a margin call and/or sell assets in your account.

It is important that you fully understand the risks involved in trading securities on margin, which are applicable to any margin account that you maintain, including any margin account established as part of the Asset Management Agreement established between you and Flagstone Financial Management and held by the account custodian or clearing firm.

These risks include the following:

- You can lose more funds than you deposit in your margin account.
- The account custodian or clearing firm can force the sale of securities or other assets in your account.
- The account custodian or clearing firm can sell your securities or other assets without contacting you.



- You are not entitled to choose which securities or other assets in your margin account will be liquidated or sold to meet a margin call.
- The account custodian or clearing firm can move securities held in your cash account to your margin account and pledge the transferred securities.
- The account custodian or clearing firm can increase its "house" maintenance margin requirements at any time and they are not required to provide you with advance written notice.
- You are not entitled to an extension of time on a margin call.

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

*Item 9* is not applicable to this Disclosure Brochure because there are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our business or integrity.

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

Flagstone Financial Management is **not** and does **not** have a related person that is 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.

Neither Flagstone Financial Management nor its representatives have any material relationships to this advisory business that would present a possible conflict of interest.

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

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

According to the *Investment Advisers Act of 1940*, an investment adviser is considered a fiduciary and has a fiduciary duty to all clients. Flagstone Financial Management has established a Code of Ethics to comply with the requirements of Section 204(A)-1 of the *Investment Advisers Act of 1940* that reflects its fiduciary obligations and those of its supervised persons. The Code of Ethics also requires compliance with federal securities laws. The 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. Flagstone Financial Management requires its supervised persons to consistently act in your best interest in all advisory activities. Flagstone Financial Management 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 Flagstone Financial Management. If you wish to review the Code of Ethics in its entirety, you should send us a written request and upon receipt, we will promptly provide a copy of the Code of Ethics to you.

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

Flagstone Financial Management or its supervised persons can buy or sell investment products for their personal accounts that are identical to those recommended to clients. This creates a potential conflict of interest. To help control for this conflict of interest, it is the express policy of Flagstone Financial Management that all persons associated in any manner with the firm must place the interests of our clients ahead of their own when implementing personal investments. Flagstone Financial Management and its supervised persons shall not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained because of his/her employment unless the information is also available to the investing public upon reasonable inquiry. Securities recommended by Flagstone Financial Management are widely held and publicly traded. The firm has developed policies and procedures under our Code of Ethics requiring all access persons to report their personal securities holdings and transactions to the firm for review and approval.

Flagstone Financial Management and its supervised persons do not recommend to clients, securities in which Flagstone Financial Management or a related person has a material financial interest. We do not act as principal to our clients; we do not act as general partner in a partnership in which we solicit client investments; and we do not act as an investment adviser to an investment company that we recommend to clients.

### **Item 12 – Brokerage Practices**

#### **Arrangement with LPL Financial**

Clients wishing to implement our advice are free to select any broker/dealer they wish and are so informed. If clients wish to implement the advice of Flagstone Financial Management through the Investment Management programs described in this Disclosure Brochure, LPL will be the recommended broker-dealer/custodian.

While there is no direct linkage between the investment advice given to clients and Flagstone Financial Management's recommendation of LPL, economic benefits can be provided by LPL to Flagstone Financial Management that will not be provided if the client selects another broker/dealer or account custodian. These benefits include negotiated costs for transaction implementation, a dedicated trade desk that services LPL accounts exclusively, a dedicated service group and relationship manager for Flagstone Financial Management's accounts, access to a real-time order matching system, and various LPL software systems (some at an additional cost) for trading, balance and position information, as well as duplicate client statements, confirmations and other reports.

LPL offers other services intended to help us manage and further develop our business. These services generally only benefit us and are a factor in our decision to work with LPL. These services include educational conferences and events; consulting on technology and business needs; and publications and conferences on practice management and business succession. LPL will pay or help offset our travel costs (i.e., hotel and airfare) to attend conferences they host or sponsor.

Clients should understand that not all investment advisors require the use of a particular broker/dealer or custodian. Some investment advisors allow their clients to select whichever broker/dealer the client decides. However, it is our policy that all accounts managed by Flagstone Financial Management must

be established through LPL. By directing clients to use a particular broker/dealer, Flagstone Financial Management may not achieve the most favorable execution of client transactions and the practice requiring the use of LPL could cost clients more money than if the client used a different broker/dealer or custodian.

### **Block Trading Policy**

Investment advisors can elect to purchase or sell the same securities for several clients at approximately the same time when they believe such action can prove advantageous to clients. This process is referred to as aggregating orders, batch trading or block trading.

Should Flagstone Financial Management decide that aggregating client orders (block trading) for more than one client is in the best interest of those clients, Flagstone Financial Management will complete the transaction and allocate shares from the block trade in a fair and equitable manner.

Flagstone Financial Management will follow custodial or broker-dealer instructions for a block trade, including but not limited to:

- Indicating the number of shares to be allocated to each account;
- Having shares allocated on a pro-rata basis;
- Distributing custodian or broker-dealer charges for the block trade on a pro-rata basis to each client account; and
- Ensuring each account receives the average execution price of the trade(s).

In cases where the entire block trade cannot be completed:

- Some clients can be excluded from the allocation process if their allocation would be minimal
- Clients with low cash positions could be considered first in the allocation process
- Accounts requiring fewer shares could be allocated shares over accounts with larger requirements
- The CCO can develop a system that maintains fairness across all client accounts or households
- Allocations will be made each day if the block extends beyond one day and best efforts will be made by Flagstone Financial Management to ensure one account is not favored over another.

While block trading offers the advantage of purchasing or selling larger blocks of securities, Flagstone Financial Management believes clients are not disadvantaged due to the best execution practices upheld by LPL. Despite having the capability for block trading, Flagstone Financial Management will opt against this method of transaction in certain circumstances, including but not limited to:

- The size of the order in dollars or shares could affect the market in the security
- The number of client accounts involved in the order
- Investment strategies of the firm affect the custom component of a client's account(s).

Under certain circumstances, employees of Flagstone Financial Management can participate in the aggregated trade of securities alongside clients of Flagstone Financial Management. This will be covered in the Code of Ethics section of the manual. Employees of Flagstone Financial Management will not be favored as far as price or allocations in this type of transaction are concerned.

Records associated with block trades will be kept by Flagstone Financial Management as part of its books and records requirements. Flagstone Financial Management will make the appropriate ADV filings and disclosures in reference to block trades.

### **Trade Error Correction**

At Flagstone Financial Management, we strive to execute trades accurately and efficiently on behalf of our clients. However, if a trade error occurs, we have established procedures to promptly identify, report, and rectify such errors.

Flagstone will resolve trade errors promptly and any loss will be reimbursed to the client, including transaction fees. In the event of a trade error that materially impacts a client's account, we will promptly notify the affected client of the error, the actions taken to resolve it, and any resulting adjustments to their account. We are committed to maintaining open and transparent communication with our clients throughout the resolution process.

## **Item 13 – Review of Accounts**

### **Account Reviews and Reviewers**

Flagstone Financial Management recommends that clients have their financial situation reviewed annually at a minimum. Our investment adviser representatives conduct financial reviews through in-person meetings, web-conferencing, written correspondence (e-mail or regular mail) or telephone meetings. The calendar is the main triggering factor for reviews, although client requests, a change in client circumstances or objectives, or unusual market activity can also trigger reviews.

Asset allocation models and underlying assets are reviewed on a frequent basis but at a minimum, quarterly. Financial plans are reviewed upon financial plan creation and plan delivery by a member of Flagstone's Lead Advisor team. Financial planning software assumptions are reviewed and updated annually by Michael Johnson, Chief Compliance Officer or Daniel Stous, who leads our financial planning efforts.

### **Statements and Reports**

Clients receive account statements of their investment account(s) directly from the qualified custodian. For retirement plan services or DAF investment management services, sponsors and participants will receive or have access to account statements provided by the Plan custodian/sponsor or third-party administrator. Statements will be delivered at least quarterly. Flagstone Financial Management will periodically provide written performance and/or position reports to clients in addition to the statements and reports discussed above. Clients are strongly urged to compare all reports prepared by Flagstone Financial Management against the account statements received directly from the client's broker/dealer or qualified custodian.

Financial planning clients do not receive any report other than the written plan originally contracted for and provided by Flagstone Financial Management upon request. Our financial plans are often created and amended through various financial planning software systems and are interactive by nature. Clients can request a written copy of any reports presented and discussed throughout the financial planning process.

## Item 14 – Client Referrals and Other Compensation

Flagstone Financial Management does not receive any economic benefit, directly or indirectly, from any third party for advice rendered to Flagstone Financial Management clients.

All full-time Flagstone Financial Management employees receive team-based incentive compensation based on total team revenue and new client revenue.

Please see *Item 5, Fees and Compensation*, *Item 10, Other Financial Industry Activities and Affiliations* and *Item 12, Brokerage Practices*, for additional discussion about solicitor/referral fees from third party managers, other compensation and non-economic benefits.

## Item 15 – Custody

Custody, as it applies to investment advisors, has been defined by regulators as having access to 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. According to this definition, Flagstone Financial Management does **not** have custody of client funds or securities.

Flagstone Financial Management is deemed to have limited custody due to the ability to deduct fees directly from client accounts and will obtain written authorization from the client to do so. Flagstone Financial Management has established procedures to ensure all client funds and securities are held by 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 establishment 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.

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 reports received directly from Flagstone Financial Management.** When clients have questions about their account statements, they should contact Flagstone Financial Management or the qualified custodian preparing the statement.

## Item 16 – Investment Discretion

Flagstone Financial Management can provide asset management services on a **discretionary** basis. Flagstone Financial Management's discretionary authority must be granted by you in the client agreement. When discretionary authority is granted, it is limited in that Flagstone Financial Management will only be given discretionary trading authority. This authority will allow Flagstone Financial Management to determine the types of securities and the amount of securities that can be bought or sold for the client portfolio without obtaining your consent for each transaction.

If you decide to grant trading authorization on a **non-discretionary** basis, we will be required to contact you prior to implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended

- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, Flagstone Financial Management will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if you are not able to be reached or are slow to respond to our request, it can have an adverse impact on the timing of trade implementations, and we may not achieve the optimal trading price.

You will have the ability to place reasonable restrictions on the types of investments that can be purchased in your account(s). You can also place reasonable limitations on the discretionary power granted to Flagstone Financial Management so long as the limitations are specifically set forth or included as an attachment to the client agreement.

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

Flagstone Financial Management does not vote proxies on behalf of Clients. We have determined that taking on the responsibility 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 proxies for securities held in your account(s).

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. Although we do not vote client proxies, if you have a question about a particular proxy feel free to contact us. However, you will have the ultimate responsibility for making all proxy-voting decisions.

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

Item 18 is not applicable to this brochure. Flagstone Financial Management does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for the most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, Flagstone Financial Management has not been the subject of a bankruptcy petition at any time.

### **Customer Privacy Policy Notice**

Investment advisers are required by law to inform their clients of their policies regarding privacy of client information. We are bound by professional standards of confidentiality that are even more stringent than those required by law. Federal law gives the customer the right to limit some but not all sharing of personal information. It also requires us to tell you how we collect, share, and protect your personal information.

**Privacy Disclosure Statement** - A primary goal of Flagstone Financial Management is to protect the privacy of its clients. Flagstone does not sell your personal information to anyone. To conduct regular business, Flagstone will collect non-public personal information such as information provided by you on applications or other forms you make available to us, as well as transactions with the firm, our affiliates, or others. This

can include but is not limited to your Social Security Number, Date of Birth, Banking Information, Financial Account Numbers and/or Balances, Sources of Income, and Credit Card Numbers or Information.

**Information Safeguarding** - Flagstone Financial Management has strict policies and procedures designed to protect the sensitive nature of client information. Flagstone has implemented physical, electronic, and procedural safeguards aimed at meeting Flagstone's duty to protect non-public client information.

**Use and Disclosure of Customer Information** - To administer, manage and service customer accounts, it is necessary for Flagstone to provide access to non-public customer information within the firm, its affiliated companies and to certain non-affiliated companies as needed, such as LPL Financial (custodian) and other third-party financial service/software providers. Flagstone can also provide customer information outside of the Firm as permitted and required by law, such as to government entities, consumer reporting agencies or other third parties in response to subpoenas. If our firm has a change to its customer privacy policy that would allow Flagstone to disclose non-public information not covered under applicable law, we will allow our clients the opportunity to opt out of such disclosure.

Your privacy, our professional ethics, and the ability to provide you with quality financial services are very important to us. If you have any questions concerning Flagstone Financial Management's customer privacy policy or concerns about your personal information, please feel free to contact us at the phone number listed on the cover page of this brochure.