

Form ADV Part 2A: *Firm Brochure*

Item 1 – Cover Page

Flagstone Financial Management, LLC

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Date of Disclosure Brochure: Sept. 3, 2021

This disclosure brochure provides information about the qualifications and business practices of Flagstone Financial Management, LLC (also referred to as we, us and Flagstone Financial Management throughout this disclosure brochure). If you have any questions about the contents of this disclosure brochure, please contact Michael T. Johnson at 402-413-0440 or michael.johnson@flagstonefm.com. The information in this disclosure 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 Internet at 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.

*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 March 2021, the following changes have been made to this version of the Disclosure Brochure:

- Item 4: Flagstone Financial Management has removed the Core Lifestyle Investment Management Basics Program (“CLIMB Program”) from its Advisory Services.
- Item 4: Due to the removal of the CLIMB Program, Flagstone Financial Management no longer offers a Wrap Fee Program option as part of its Advisory Services.

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 may 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, through an intermediate subsidiary, by Michael T. Johnson who is the Managing Member and 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).

Description of 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 the services described below.

Strategic Wealth Management Program

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 to and making investments for you based on your individual needs. Through this service, we offer a customized and individualized investment program. A specific asset allocation strategy and suitability profile is crafted 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 may 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.)

During any month that there is activity in the SWM Program account, you receive a monthly account statement from LPL showing account activity as well as positions held in the account at month end. Additionally, you receive a 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 on-line through the account view portal through LPL.

Financial Planning & Consulting Services

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

Financial planning is a comprehensive evaluation of your current and future financial state by using currently known variables to forecast cash flows, asset values, and withdrawal plans. The key defining aspect of financial planning is that through the financial planning process, we will consider your entire financial and life situation to provide holistic advice specific to you. If purchasing this service, we will present the financial plan in person or remotely in an interactive manner and you will receive a written or electronic report upon request, providing you with a detailed financial plan designed to achieve your stated financial goals and objectives.

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 may include, but are not limited to, the following:

1. **Financial Goals:** We will help clients 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 may 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 may 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 may make recommendations, including those that may 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 may 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 may include ways to minimize current and future income taxes as a part of your overall financial planning picture. For example, we may make 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 may impact your situation.

We recommend that you consult with a qualified tax professional before initiating any tax planning strategy, and we may 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.

5. **Estate Planning:** This usually includes an analysis of your exposure to estate taxes and your current estate plan, which may 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 may provide you with contact information for attorneys who specialize in estate planning when you wish to hire an attorney for such purposes. From time-to-time, we will participate in meetings or phone calls between you and your attorney with your approval or request.
6. **College Savings:** 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:** Review of existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home, and automobile.
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 may 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 may 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 may 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.

Ongoing Fixed-Fee Financial Planning

This service involves working one-on-one with a planner over an extended period of time by paying an upfront fee and an ongoing fixed annual fee, which is billed monthly. Clients will have access to a planner who will work with them on an ongoing basis to develop and implement their plan. The planner will monitor the plan, recommend any changes and ensure the plan is up to date.

Through Ongoing Fixed-Fee Financial Planning, you will be taken through establishing your goals and values around money. You will be asked to provide information to help complete the following areas of analysis that are relevant to you: net worth, cash flow, insurance, employee benefit, retirement planning, insurance, investments, college planning and estate planning. Once your information is reviewed, your plan will be built and analyzed, and then the findings, analysis and potential changes to your current situation will be reviewed with you in an interactive planning session. Upon request, clients that have selected this service will receive a written or an electronic report, providing you with a detailed financial plan designed to achieve your stated financial goals and objectives. If a follow-up meeting is required, we will meet at your convenience. Your plan along with your financial situation and goals will be monitored throughout the year and follow-up phone calls and emails will be made to you to confirm that any agreed upon action steps have been carried out. On an annual basis, there will be a full review of this plan to ensure its accuracy and ongoing appropriateness. Any needed updates will be implemented at that time.

Employee Benefit 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. As the needs of the plan sponsor dictate, areas of advising could 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").

For clients who receive our Financial Planning services, we must state when a conflict exists between the interests of our firm and the interests of our client. The client is under no obligation to act upon our recommendation. If the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through our firm.

Tax Preparation & Tax Planning

We offer Tax Preparation services for our clients to assist with the filing of federal and state tax returns for individuals, trusts, and businesses. ***The fees associated with tax preparation services are separate and in addition to your ongoing financial planning or advisory fees and are disclosed in Item 5.*** Flagstone does not charge any additional fees beyond those charged by XYTS for this service.

We utilize the services of XY Tax Solutions "XYTS", a third-party accounting and tax planning firm, to facilitate the preparation and filing of your tax return and we will work with you and XYTS to gather the necessary information as part of this service. Although we will assist the client wherever possible, the client is ultimately responsible for the accuracy of the information provided to XYTS.

Limits Advice to Certain Types of Investments

Flagstone Financial Management 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 may be 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 may increase cash holdings modestly as deemed appropriate based on your risk tolerance and our expectations of market behavior. We may 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.)

Tailor Advisory Services to Individual Needs of Clients

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

Client Assets Managed by Flagstone Financial Management

As of December 31, 2020, our firm manages a total of \$ 209,151,734.00 assets under management. All assets are managed on a discretionary basis.

Miscellaneous

Financial Planning and Non-Investment Consulting/Implementation Services. Flagstone Financial Management may provide 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 may 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.

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. The actual asset management fee will be set forth in the agreement between you and Flagstone Financial Management.

Strategic Wealth Management Program

The annual investment advisory fee charged will vary between 0.00% and 1.5% of the assets held in the account and is negotiable depending on the market value of your account, types of securities held in your account, complexity of your portfolio and financial planning needs, your investment adviser representative and the time and effort necessary to advise and manage your account. Clients with at least \$400,000 in total household assets under management will receive financial planning at no additional cost.

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 based on the account's asset value as of the last business day of the prior calendar quarter. Fees for accounts opened at any time other than the beginning of the quarter are prorated based on the number of days remaining in the initial quarter.

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 us setting forth the terms and conditions, including the amount of investment advisory fees, under which we manage your assets and also a separate custodial/clearing agreement with LPL.

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. These costs are set out in the LPL Strategic Wealth Management platform brokerage account and application agreement.

You may incur certain charges imposed by third parties other than Flagstone Financial Management in connection with investments made through the account including, but not limited to, 12b-1 fees and surrender charges, and IRA and qualified retirement plan fees. Our management fees are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. We do not receive any fees or charges from such third parties. A description of these fees and expenses are available in each investment company security's prospectus. 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.

Our SWM Program may 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 may 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 actually provided during the final billing period. Termination is effective from the time the other party receives written notification or such other time as may be 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

If you have at least \$400,000 in total household assets under management through Flagstone Financial Management's advisory services via the SWM Program, we will offer financial planning and consulting services on a complimentary basis by waiving our standard ongoing fixed-fee, hourly or fixed fee. 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.

Ongoing Fixed-Fee Financial Planning

Flagstone Financial Management offers Ongoing Fixed-Fee Financial Planning. Through this program, an initial fee of \$1,750 will be collected up front, followed by \$185.66 monthly ongoing charges. Ongoing financial planning fees will 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 \$2,227.92 would be increased by 3% then divided by 12, which would result in a new annual fee of \$2,294.76 and the new monthly fee would be \$191.23.

The standard billing dates for Ongoing Fixed-Fee Financial Planning services 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 may authorize recurring electronic payments through AdvicePay or you may 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.

Hourly, Fixed and Annual Financial Plan Fees

Fees for financial planning and consulting services can be charged on either a fixed or hourly basis as determined jointly by you and Flagstone Financial Management. Hourly fees range between \$150 and \$350 depending on the firm's personnel delivering services. Fixed fees range from \$1,500 to \$10,000. Both hourly and fixed fees are negotiable based upon the actual services requested, the complexity of your situation and the representative providing the services.

If fees are charged on an hourly basis, we will provide an estimate of the hours needed to complete the requested plan. If more time is needed to complete the plan than the original estimate, we will request your permission prior to proceeding with any additional work. You are charged for the actual time expended on the plan.

Unless otherwise agreed, you will be required to pay up to ½ (one-half) of the fixed fee or estimated hourly 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 detailed billing statement.

One-time services terminate thirty (30) days following the delivery of the written financial plan or completion of all consultations. On-going services may be terminated by either you or Flagstone Financial Management by providing the other party with written notice.

If you terminate the financial planning services, 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. For financial planning services performed by Flagstone Financial Management under a fixed fee arrangement, you will pay a pro-rated fixed fee equivalent to the percentage of work we have completed as determined by Flagstone Financial Management. For financial planning services performed by Flagstone Financial Management under an hourly fee arrangement, you will pay a pro-rated fee equivalent to the number of hours of work we have completed at the agreed upon hourly rate. You are required to pay immediately any outstanding balance of hourly or monthly fees due. In the event that 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 advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each mutual fund's prospectus. These fees will generally include a management fee, other fund expenses and a possible distribution fee. If the fund also imposes sales charges, you may pay an initial or deferred sales charge.

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.

Retirement 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. Our fee range for services is 0.00% to 1.50% annually based on the value of plan assets. This fee is negotiable and dependent upon the complexity of the plan, the program, if any, used to invest the assets, the size of the plan assets, the actual services requested, the representative providing the services and the potential for additional deposits.

For individual participants that retain us for personalized, individual participant account advice, we charge a percentage of the participant's account value. The percentage fee ranges from 0.00% to 1.50% per year. Fees are negotiable based upon the actual services requested, the program, if any, used to invest the assets and the complexity of the participant's situation.

For retirement plan sponsors and participants, fees may be billed in advance or in arrears of the billing period depending on the custodian or plan sponsor platform. When billed in advance, fees are billed at the start of the billing period on a quarterly calendar basis and calculated based on the fair market value of your account as of the last business day of the previous billing period. When fees are billed in advance, fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period.

When fees are billed in arrears, fees are billed at the end of the billing period on a quarterly calendar basis and calculated based on the fair market value of your account as of the last business day of the billing period. When fees are billed in arrears, fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period.

In some cases, fees may be billed monthly rather than quarterly. The determining factor for a quarterly versus monthly billing schedule is dependent on the plan administrator or recordkeeper. Retirement plan sponsors may also elect to pay all or a portion of fees for the individualized services provided by us to the plan participants.

Clients can elect to have the fee deducted from their account or 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 may terminate the services upon providing Flagstone Financial Management with notice. We may 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.

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.

Tax Preparation & Tax Planning

The fees for Personal Tax Return Preparation will be determined based on the complexity of the return and quality of the client's recordkeeping. XYTS will bill you directly for Tax Preparation and Planning Services and Flagstone does not charge any additional fees beyond those charged by XYTS for this service. XYTX's fees will be reviewed and agreed to in your agreement with them at the start of the engagement. The fees may be negotiable in certain cases, will be agreed to at the start of the engagement, and are due at the end of the engagement. Clients are not required to utilize any third-party products or services that we may recommend and they can receive similar services from other professionals at a similar or lower cost.

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 execute a written agreement with Flagstone Financial Management specifying the particular advisory services in order 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.

The minimum fee generally charged for financial planning services provided on an hourly basis is \$150 and the minimum fixed fee generally charged for financial planning services on a fixed fee basis is \$1,500.

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

Methods of Analysis

Flagstone Financial Management's security analysis is based on a number of factors, including those derived from academic research and literature, commercially available software technology, securities rating services, general market and financial information, due diligence reviews and specific investment analysis that clients may 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 inform 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. This approach to investing, typically referred to as "active management," and Flagstone Financial Management does not generally follow this framework (except under limited circumstances). Flagstone Financial Management has 6 core investment philosophies:

1. **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.
2. **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.
3. **Diversify Globally** – It is very hard to predict which areas of the world markets will do better than other areas 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.
4. **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 us to make poor decisions. We do this by sticking with our core beliefs and following a distinct investment process that seeks to take emotion out of decision-making moments.
5. **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 may 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.
6. **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 particular 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 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 may be 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) market 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 held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held 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 may 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 may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- ETF and Mutual Fund Risk – When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.
- 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 may 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 may issue a margin call and/or sell other 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 may maintain, including any margin account that may be 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 may be liquidated or sold to meet a margin call.
- The account custodian or clearing firm may 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 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.

Flagstone Financial Management offers tax preparation services through XY Tax Solutions. When offering clients tax planning services, clients should be aware that these services may involve a conflict of interest. Flagstone Financial Management always acts in the best interest of the client and clients always have the right to decide whether or not to utilize the services of any Flagstone Financial Management representative in such individual's outside capacities.

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 of your request, 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 may buy or sell for their personal accounts, investment products 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 as a result of his/her employment unless the information is also available to the investing public upon reasonable inquiry. In addition, securities recommended by Flagstone Financial Management are widely held and publicly traded. Finally, the firm has developed policies and procedures under our Code of Ethics requiring all access persons to report their personal securities holdings and positions to the firm for review and approval.

Flagstone Financial Management and its supervised persons do not recommend 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 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 may 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 may include: negotiated costs for transaction implementation, a dedicated trade desk that services LPL participants exclusively, a dedicated service group and an account services manager dedicated to Flagstone Financial Management's accounts, access to a real-time order matching system, electronic download of trades, balances and position information, access, for a fee, to an electronic interface with the account custodian's software, duplicate and batched client statements, confirmations and year-end 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, due to our relationship with LPL, 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, LPL, Flagstone Financial Management may not achieve the most favorable execution of client transactions and the practice requiring the use of LPL may cost clients more money than if the client used a different broker/dealer or custodian.

Block Trading Policy

Investment advisors may elect to purchase or sell the same securities for several clients at approximately the same time when they believe such action may prove advantageous to clients. This process is referred to as aggregating orders, batch trading or block trading. Flagstone Financial Management does not engage in block trading.

It should be noted that implementing trades on a block or aggregate basis may be less expensive for client accounts; however, it is our trading policy is to implement all client orders on an individual basis. Therefore, we do not aggregate or "block" client transactions. Considering the types of investments we hold in advisory client accounts, we do not believe clients are hindered in any way because we trade accounts individually. This is because we develop individualized investment strategies for clients and holdings will vary. Our strategies are primarily developed for the long-term and minor differences in price execution are not material to our overall investment strategy.

Item 13 – Review of Accounts

Account Reviews and Reviewers

Flagstone Financial Management recommends that clients have their financial situation reviewed and updated at least annually. If you elect to have Flagstone Financial Management perform this financial plan review and update and you are not utilizing Ongoing Fixed-Fee Financial Planning, a new client agreement will be required, and additional fees may be charged.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by Michael Johnson, Chief Compliance Officer or Daniel Stous, who leads our financial planning efforts. There is only one level of review for financial plans, and that is the total review conducted to create the financial plan.

Our investment adviser representatives contact clients either via in-person meetings, web-conferencing, written correspondence (e-mail or regular mail) or telephone meetings at least annually to review the performance of client accounts. Asset allocation models and underlying assets are reviewed on a frequent basis but at a minimum, quarterly.

The calendar is the main triggering factor for reviews, although client requests, a change in client circumstances or objectives, and unusual market activity can also trigger reviews.

Statements and Reports

Clients receive account statements directly from the qualified custodian of their account(s). For Retirement Plan Services, sponsors and participants will receive or have access to account statements provided by the Plan custodian or third-party administrator. Statements will be delivered at least quarterly. Flagstone Financial Management may 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 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 may 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 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 at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the 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. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. **Clients should carefully review those statements and are urged to compare the statements against 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 may 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 type 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 may be purchased in the Account. You may 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 responsibilities for voting client securities does not add enough value to the services provided to you to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in Account.

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

This *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

Regulation S-P, Privacy of Consumer Financial Information, requires financial institutions, including Flagstone Financial Management to provide notice to current clients and prospective clients about their policies and practices concerning the collection and use of customer, non-public information. This privacy policy notice is given to all prospective clients of Flagstone Financial Management upon entering into a contract with Flagstone Financial Management and annually thereafter.

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

Information Safeguarding. Flagstone Financial Management has implemented strict policies and procedures aimed at protecting the sensitive nature of client information. Flagstone Financial Management restricts access to your information to only those members of Flagstone Financial Management that must provide products and services to you in order to service your accounts. Flagstone Financial Management has implemented physical, electronic, and procedural safeguards aimed at meeting Flagstone Financial Management's duty to protect non-public client information.

Use and Disclosure of Customer Information to Provide Customer Service for Client Accounts To administer, manage and service customer accounts, process transactions and provide related services for client accounts, it is necessary for Flagstone Financial Management to provide access to Customer Information within the Firm and its affiliated companies and to non-affiliated companies such as LPL Financial, other investment advisers, other broker-dealers, trust companies, custodians and insurance companies. Flagstone Financial Management may also provide Customer Information outside of the Firm as permitted by law, such as to government entities, consumer reporting agencies or other third parties in response to subpoenas.

Since Flagstone Financial Management shares nonpublic information solely to service client accounts, our firm does not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted by law. However, we may also provide customer information outside of the firm as required by law, such as to government entities, consumer reporting agencies or other third parties in response to subpoenas. In the event that our firm has a change to its customer privacy policy that would allow it to disclose non-public information not covered under applicable law, we will allow our clients the opportunity to opt out of such disclosure.

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.