

**Item 1 – Cover Page**

**Elgethun Capital Management**

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This brochure provides information about the qualifications and business practices of Elgethun Capital Management. If you have any questions about the contents of this brochure, please contact John A. Barker at 605-367-3366 or at [john@elgethun.com](mailto:john@elgethun.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 Elgethun Capital Management is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for our name Elgethun Capital Management or our firm CRD number 127616.

\*Registration as an investment advisor does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

The material changes in this brochure from the last annual updating amendment of Elgethun Capital Management's on March 22, 2023, are described below. Material changes relate to Elgethun Capital Management's policies, practices or conflicts of interests.

- Elgethun Capital Management has updated Voting Client Securities. (Item 17)
- Elgethun Capital Management advises a second private fund. (Item 4, etc.)

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## Item 4 – Advisory Business

Elgethun Capital Management is an investment advisor registered with the United States Securities and Exchange Commission (“SEC”) and is a Corporation formed under the laws of the State of South Dakota.

- John Barker is the owner, President and Chief Compliance Officer of Elgethun Capital Management.
- Elgethun Capital Management has been registered as an investment advisor since September 2003.

### **General Description of Primary Advisory Services**

The following are brief descriptions of Elgethun Capital Management’s primary services. A detailed description of Elgethun Capital Management’s services is provided in Item 5 – Fees and Compensation so that clients and prospective clients can review the description of services and description of fees in a side-by-side manner.

**Asset Management Services** – Elgethun Capital Management provides advisory services in the form of Asset Management Services. Asset Management Services involve providing clients with continuous and on-going supervision over client accounts. This means that Elgethun Capital Management will continuously monitor a client’s account and make trades in client accounts when necessary.

**Advisory Services to Pooled Investment Vehicles** – Elbark Capital LLC is a related person of Elgethun under common control of John Barker and provides advisory services to a pooled investment vehicle: Palisades Fund LP.

**Consultation Services** – Elgethun Capital Management provides investment advice through consultation services for an hourly rate. ECM Investment services may be involved with any financial service/advice for a client. The hourly rate is negotiable according to the work involved with the consultation/advice.

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

Elgethun Capital Management provides investment advice on the following types of investments:

- No-Load (i.e. no trading fee) and Load-Waived (i.e. trading fee waived) Mutual Fund Shares
- Exchange-listed securities (i.e. stocks)
- Securities traded over-the-counter (i.e. stocks)
- Fixed income securities (i.e. bonds)
- Closed-End Funds and Exchange Traded Funds (ETFs)
- Foreign Issues and American Depository Units (ADRs)
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- United States government securities
- Options contracts on securities and commodities
- Interests in partnerships investing in real estate and oil and gas interests
- Hotel interests
- Hedge funds

- Private equity
- Private loans

Elgethun Capital Management does not provide advice on variable life insurance, variable annuities, or futures contracts on tangibles or intangibles.

When providing asset management services, Elgethun Capital Management typically constructs each client's account holdings using individual equities, individual corporate, government/agency, or municipal bonds and equity/bond mutual funds to build diversified portfolios. It is not Elgethun Capital Management's 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.)*

### **Participation in Wrap Fee Programs**

We do not offer services through traditional wrap-fee management programs. In wrap-fee programs, advisory services (including portfolio management or advice regarding selecting other investment advisors) and transaction services are provided for one fee. In a standard asset management program, such as the one provided by Elgethun Capital Management, advisory services are provided for a fee, but transaction services are paid separately on a per-transaction basis to the broker-dealer. Consequently, Elgethun Capital Management does not receive any transaction-related revenue.

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

Elgethun Capital Management's services are always provided based on the individual needs of each client. This means, for example, that you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors. We work with each client on a one-on-one basis through interviews and questionnaires to determine the client's investment objectives and suitability information.

### **Client Assets Managed by Elgethun Capital Management**

As of December 2023, Elgethun Capital Management managed \$786,613,953 of discretionary assets. ECM had an additional \$396,678,395, in assets under advisement. Total assets under management and advisement: \$1,183,292,348.

## Item 5 – Fees and Compensation

In addition to the information provide 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.

Elgethun Capital Management (“ECM”) manages investment advisory accounts on a discretionary or non-discretionary directive for individual and institutional clients. ECM buys and sells common stocks, preferred stocks, corporate bonds, municipal bonds, government and agency bonds, and mutual funds for their clientele. Elgethun Capital Management provides investment advice through consultation services for an hourly rate. [Elgethun Capital Management does not consider any of its services to be financial planning; accordingly, ECM does not bill separately for financial planning services and does not represent itself as a financial planner.]

Elgethun Capital Management offers investment advisory services and charges for its services as follows:

1. A fee as a percentage of assets under ECM's management
2. A fee on an hourly basis for consultation/advice
3. A fee based on the size of the account and the work involved for the client

Elgethun Capital Management provides continuous investment management services that include selecting the investment strategy, implementation of the strategy such as buying and selling stocks, bonds, and mutual funds on a discretionary or non-discretionary basis for the client.

### **Asset Management Fees**

Basic fee schedule:

1. 0.5% to 1.5% of the market value of the account on an annual basis
2. Fees are negotiable based on the size of the account and the investment advisory work involved by ECM.
3. Minimum annual fee is \$5,000.00.
4. Fees are due quarterly. Fees are billed directly to the account through the custodian.
5. Fees are payable quarterly in advance.
6. Clients may terminate the investment advisory agreement with a 30 day written notice at their discretion; fees will be prorated to the date of final termination.

### **Performance-Based Fees for Pooled Investment Vehicles**

ECM or its affiliates may charge performance-based fees through pooled investment vehicles. Elbark Capital, LLC is the General Partner to a pooled investment vehicle, and is an affiliate of ECM, under common control of John A. Barker. ECM is the managing member to the ECM Yield Fund II which is a pooled investment vehicle. Each entity will receive performance fee compensation for investment management of the relevant pooled investment fund.

- Elbark Capital’s fee is equal to the following formula: no management fee; 25% of any return above 6%. This fee will be charged in arrears on an annual basis, based on the NAV at 12/31. The fund must exceed its previous high-water-mark to be eligible for a performance-based fee allocation.
- ECM’s fee is equal to the following: no management fee; 15% profit split distribution.

### **Consultation Fees**

The fee for ongoing consulting services is billed upon an hourly basis and is negotiable. The standard hourly fees for these services are \$500.00. All hourly fees will be specified in the Consultation Agreement signed prior to the start of our engagement. You may terminate the ongoing consulting services within five (5) business days of entering into written agreement without penalty or fees due. If you terminate the ongoing consulting services after five (5) business days of entering into the agreement, you will be responsible for immediate payment of any consulting work performed by Elgethun Capital Management under the agreement, together with reimbursement of any applicable of travel expenses, prior to our receipt of your notice to terminate the services. 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 to you.

### **General Disclosure Regarding Fees and Services**

Securities are processed through the Charles Schwab platform, or other platforms if a client requests ECM to use another custodian/broker-dealer; trades are confirmed with the clients of ECM through the delivery of trade confirmations and clients statements provided to the client directly from Schwab Advisor Services Institutional/Charles Schwab brokerage, or the brokerage firm of record. Brokerage commissions and/or transaction ticket fees charged by a qualified custodian and/or broker/dealer will be billed directly to the client. ECM does not receive any commissions or transaction-related fees.

Lower fees for comparable services may be available from other sources.

Clients are advised that the investment recommendations and advice offered by Elgethun Capital Management does not constitute legal or accounting advice. Therefore, you should coordinate and discuss the impact of financial advice with your attorney and/or accountant. Clients are advised that it is necessary to inform promptly with respect to any changes in their financial situation, investment goals and objectives. Failure to notify Elgethun Capital Management of any such changes could result in investment recommendations not meeting the needs of the client.

### **Outside Compensation for the Sale of Securities to Clients**

Neither ECM nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.

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

ECM or its affiliates may act as General Partner or Managing Member to a private investment fund. Each private fund is eligible for performance-based fees (a share of capital gains on or capital appreciation of the assets of a client). ECM accounts are billed as fee-only accounts, based on assets under management and are NOT billed on performance-based fees. Managing both kinds of accounts at the same time may present a conflict of interest because ECM or its supervised persons may have an incentive to favor one fee arrangement over the other. ECM mitigates this conflict by establishing a performance-based fee arrangement that is fair and equitable and ensuring clients are not charged a fee unless satisfactory performance measures are achieved and maintained (high-water-mark). ECM provides transparent disclosure of each fee arrangement and provides best execution practices and upholds its fiduciary duty for all clients.

## Item 7 – Types of Clients

Elgethun Capital Management generally provides investment advice to the following types of clients:

- Individuals
- High-Net-Worth Individuals
- Banks or thrift institutions
- Investment companies
- Pension and profit sharing plans
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above
- Endowments and foundations
- Pooled investment vehicles

### **Minimum Investment Amounts Required**

The minimum dollar value of assets for starting or maintaining an account with Elgethun Capital Management is \$1,000,000, which minimum may be waived at the discretion of ECM.

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

### **Methods of Analysis**

Elgethun Capital Management uses the following methods of analysis in formulating investment advice:

Fundamental - A method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (such as the overall economy and industry conditions) and individually specific factors (such as the financial condition and management of companies). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

### **Investment Strategies**

Elgethun Capital Management may use any of the following investment strategies when managing client assets and/or providing investment advice:

Long term purchases – investments held at least a year.

Short term purchases – investments sold within a year.

Margin transactions – when an investor buys a stock on margin, the investor pays for part of the purchase and borrows the rest from a brokerage firm. For example, an investor may buy \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock from Elgethun Capital Management.



Option writing including covered options, uncovered options, or spreading strategies – options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.

Tactical asset allocation – allows for a range of percentages in each asset class (such as Stocks = 40-50%). These are minimum and maximum acceptable percentages that permit the investor to take advantage of market conditions within these parameters. Thus, a minor form of market timing is possible, since the investor can move to the higher end of the range when stocks are expected to do better and to the lower end when the economic outlook is bleak.

Strategic asset allocation – calls for setting target allocations and then periodically rebalancing the portfolio back to those targets as investment returns skew the original asset allocation percentages. The concept is akin to a “buy and hold” strategy, rather than an active trading approach. Of course, the strategic asset allocation targets may change over time as the client’s goals and needs change and as the time horizon for major events such as retirement and college funding grow shorter.

### **Use of Primary Method of Analysis or Strategy**

The investment strategy of Elgethun Capital Management is to invest in fixed income for capital preservation and to receive an adequate return for the risk associated with the purchase. The ECM investment strategy for common stocks is for appreciation/growth for the equity allocation of the portfolio.

The analysis for security selection is fundamental based on historical information on each security purchased for the portfolio. A fundamental process in fixed income bonds and notes reviews the use of the proceeds, the financial strength of the issuer, and the ability for us to see our principal returned to us in the future. The fundamental basis for equity selection is to review the corporation’s financial statements, historical performance, current industry position, and management team.

With any method of analysis or strategy the risk involved may be subjective and the result may be a security that is worth more or less than the original purchase price as well as the risk of a complete loss in the position due to unforeseen future events that affect the price/value of the security.

### **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) 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 when investing in securities through our investment management program.

- 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 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 a 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. Clients 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 you may borrow part of the purchase price from your Account Custodian or Clearing Firm. If you intend to borrow funds in connection with your Account, you will be required to open a margin account, which will be carried by Clearing Firm. The securities purchased in such an account are Clearing Firm's collateral for its loan to you.
- Private Equity Funds: In addition to the risks associated with hedge funds, there are risks specifically associated with investing in private equity. Capital calls can be made on short notice, and the failure to meet capital calls can result in significant adverse consequences, including but not limited to a total loss of investment.

- Private Placements carry a substantial risk as they are subject to less regulation than are publicly offered securities, the market to resell these assets under applicable securities laws may be illiquid, due to restrictions, and liquidation may be taken at a substantial discount to the underlying value or result in the entire loss of the value of such assets.

If the securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and, as a result, a brokerage firm is required to take action, such as issue a margin call and/or sell securities or other assets in your accounts, in order to maintain necessary level of equity in the 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 a part of the Asset Management Agreement established between you and Elgethun Capital 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 that 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 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**

Elgethun Capital Management is **not** and does **not** have a related company that is a

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

### **Other Business Activities**

John Barker, acting individually or in his capacity with Elgethun Capital Management, may sell or provide services other than investment advice to clients as a trustee, trust advisor, trust protector, or advisor for certain client relationships. John Barker may also write opinions on investment options and their suitability as to investment strategies and financial situations as a service to client relationships.

Elgethun Capital Management, John Barker, and employees of Elgethun Capital Management may solicit present clients and potential clients to invest in partnerships where they may act as the general partner in the partnership. The arrangement will be fully disclosed to prospective investors in preliminary discussions and in the private placement memorandum.

John Barker is the owner and managing partner of Elbark Capital, LLC, the general partner to Palisades Fund, LP, a hedge fund based in South Dakota.

John Barker is one of the beneficial owners of Aegis Capital Partners LLC, a general-purpose investing vehicle. Investments include but are not limited to real estate, public securities, private equity, venture capital and private debt. He has no signatory abilities and helps with the review and selection of potential investments.

John Barker is the owner and managing partner of Titan Pinnacle, LLC which is a special member to Pinnacle Point Apartments, LLC

John Barker is a Vice President at Cherapa Management, LLC.

John Barker is a Trustee Member at Dakota REIT.

John Barker is a President at Aegis Western, LLC.

Dustin Mitchell Pratt owns rental properties through NSC Properties LLC.

Elgethun Capital Management advises and services some private real estate companies wherein clients and supervised funds may be invested.

Elgethun Capital Management, John Barker, and the other employees of Elgethun Capital Management may buy or sell securities for its corporate, retirement, or personal accounts in the same securities that it recommends buys and sells for ECM clients. In regard to placing orders, ECM and employees of ECM may participate in block trading with ECM clients. ECM believes when its owners, employees, and retirement accounts own the same securities as ECM clients, interests are more completely aligned.

### **Broker-Dealer**

Elgethun Capital Management uses the services of Schwab Advisor Services and Charles Schwab broker-dealer. However, ECM may also use other broker-dealers or manage client assets on other brokerage platforms.

Charles Schwab is a broker-dealer and a member of the Financial Industry Regulatory Association (FINRA) and the Securities Investors Protection Corp (SIPC). Elgethun Capital Management and Charles Schwab

are not related or affiliated, the arrangement with Charles Schwab is that they provide ECM with back office functions such as record keeping, custody of assets, execute and settle security trades, and provide ECM clients with trade confirmations and monthly customer statements.

### **Selection of Other Advisers or Managers and How ECM is Compensated for Those Selections**

ECM does not utilize nor select third party investment advisers. All assets are managed by ECM management.

## **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 advisor is considered a fiduciary. As a fiduciary, it is an investment advisor's responsibility to provide fair and full disclosure of all material facts. In addition, an investment advisor has a duty of utmost good faith to act solely in the best interest of the client. Elgethun Capital Management and its associated persons have a fiduciary duty to all clients. ECM has established a Code of Ethics, which all associated persons must read and then execute an acknowledgement agreeing that they understand and agree to comply with ECM's Code of Ethics. ECM and its associated persons' fiduciary duty to the client is considered the core underlying principle for the firm's Code of Ethics and represents the expected basis for all associated persons dealings with the client. Elgethun Capital Management has the responsibility to make sure that the interests of the client are placed ahead of it or its associated persons' own investment interests. All associated persons will conduct business in an honest, ethical and fair manner. All associated persons will comply with all federal and state securities laws at all times. Full disclosure of all material facts and potential conflicts of interest will be provided to the client prior to services being conducted. All associated persons have a responsibility to avoid circumstances that might negatively affect or appear to affect the associated persons' duty of complete loyalty to their clients. This section is only intended to provide current clients and potential clients with a description of Elgethun Capital Management's Code of Ethics. If current clients or potential clients wish to review ECM's Code of Ethics in its entirety, *Denise Ferrie* will provide a copy to the client within ten business days of receipt of request.

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

Elgethun Capital Management or our associated persons may buy or sell for their personal accounts, investment products identical to those recommended to clients. This creates a potential conflict of interest. It is the express policy of Elgethun Capital Management that all persons associated in any manner with our firm must place the interests of our clients ahead of their own when implementing personal investments. Elgethun Capital Management and its associated 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 employment or association with our firm unless the information is also available to the investing public upon reasonable inquiry. In order to minimize this conflict of interest, securities recommended by Elgethun Capital Management are widely held and publicly traded.

## **Item 12 – Brokerage Practices**

Elgethun Capital Management does not have a soft dollar agreement with a broker-dealer or a third party where ECM receives research or other products and services in exchange for client securities transactions or maintaining account balances with the broker-dealer.

In selecting or recommending broker-dealers, ECM does not receive client referrals from the broker-dealer in return for the selection of a broker-dealer by ECM.

Elgethun Capital Management may recommend that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co. Inc., a registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. ECM is independently owned and operated and not affiliated with Schwab. Schwab Advisor Services and Charles Schwab brokerage provide ECM with access to its institutional trading and custody services, which are typically not available to Charles Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least: \$10 million of the advisors' clients assets are maintained in accounts at Schwab Advisor Services and is not otherwise contingent upon ECM committing to Charles Schwab any specific amount of business (assets in custody or trading). Schwab Advisor Services/Charles Schwab brokerage include brokerage, custody, research and access to mutual funds and other investment that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For Elgethun Capital Management's clients' accounts maintained in its custody, Schwab Advisor Services/Charles Schwab brokerage generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab Advisor Services/Charles Schwab brokerage or that settle into Schwab Advisor Services/Charles Schwab brokerage accounts.

Schwab Advisor Services/Charles Schwab brokerage also makes available to ECM other products and services that benefit ECM but may not benefit its clients' accounts. Some of these other products and services assist ECM in managing and administering clients' accounts. These include software and other technology that provides access to client account data (such as trade confirmation and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of ECM's fees from its clients' accounts; and assist with back-office functions; recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of ECM's accounts, including accounts not maintained at Schwab Advisor Services/Charles Schwab brokerage. Schwab Advisor Services/Charles Schwab brokerage also makes available to ECM other services intended to help ECM manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Charles Schwab may make available, arrange and/or pay for these types of services rendered to ECM by independent third party providing these services to ECM. While as a fiduciary, ECM endeavors to act in its clients' best interest, and ECM's recommendation that clients maintain their assets in accounts at Schwab Advisor Services/Charles Schwab brokerage may be based in part on the benefit to ECM of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab Advisor Services/Charles Schwab brokerage, which may create a potential conflict of interest.

Clients may direct ECM to use a custodian of their choosing, other than Charles Schwab Institutional. However, directing brokerage transactions to a new custodian may result in higher transaction costs and/or less favorable execution or pricing. Not all Registered Investment Advisors require use of a particular

custodian.

### **Handling Trade Errors**

Elgethun Capital Management has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of Elgethun Capital Management to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and any loss resulting from the trade error will be absorbed by Elgethun Capital Management if the error was caused by the firm. If the error is caused by the broker-dealer, the broker-dealer will be responsible for handling the trade error. If an investment gain results from the correcting trade, the gain will remain in the client's account unless the same error involved other client account(s) that should also receive the gains and it is not permissible for all clients to retain the gain. Elgethun Capital Management may also confer with a client to determine if the client should forego the gain (e.g., due to tax reasons). If the gain does not remain in your account and Charles Schwab & Co. Inc. ("Schwab") is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, Advisor will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

Elgethun Capital Management will never benefit or profit from trade errors.

### **Block Trading Policy**

Transactions implemented by Elgethun Capital Management for client accounts are generally effected independently, unless ECM decides to purchase or sell the same securities for several clients on the same day at approximately the same time. If ECM decides to aggregate trades, this process is referred to as aggregating orders, batch trading or block trading and is used by our firm when such action may prove advantageous to clients. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. ECM will block trade when it is deemed advantageous from a pricing or execution standpoint, or when trading (buying or selling) a security with limited volume. ECM clients do not pay lower transaction costs or commissions to the Broker-Dealer as a result of block trading. When Elgethun Capital Management aggregates client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Under this procedure, transactions will be averaged as to price and will be allocated among our firm's clients in proportion to the purchase and sale orders placed for each client account on any given day. Elgethun Capital Management may allocate partially filled orders non-proportionally if trading costs related to the overall transaction size would make pro-rata allocation uneconomical. When Elgethun Capital Management determines to aggregate client orders for the purchase or sale of securities, including securities in which Elgethun Capital Management may invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* It should be noted, Elgethun Capital Management does not receive any additional compensation or remuneration as a result of aggregation.

## **Item 13 – Review of Accounts**

### **Account Reviews and Reviewers**

Account reviews are made on a regular basis during a calendar year and annually with the client. Account review includes investment strategy and investment objective review and making a change if strategy and objectives may change for the client. Reviews are conducted by John Barker, Portfolio Manager with reviews performed in accordance with the account investment goals and objectives per client relationship and Elgethun Capital Management.

### **Statements and Reports**

Clients receive monthly statements and annual account reviews. Clients' statements are generated by Charles Schwab Institutional a Broker-Dealer and will provide a current list of the assets, current market value, and transaction activity for the period, and approximate yield to market on the portfolio holdings.

Transaction confirmations are generated by Charles Schwab Institutional a Broker-Dealer and delivered to the client at the time of the completed transaction. Annual performance reviews are generated and provided to the client by Elgethun Capital Management.

We encourage you to compare the reports and correspondence received from Elgethun Capital Management with the account statements and confirmations received from the account custodian. Inquiries or concerns regarding the account, including performance reports, should be directed to Elgethun Capital Management or the account custodian at the phone number listed on the account statement.

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

Elgethun Capital Management may enter into agreements with solicitors (referring parties) to refer clients to us. If a referred client enters into an investment advisory agreement with ECM, a cash referral fee may be paid to the referring party based upon a percentage of the client advisory fees that are generated. Referral fees could be up to 25% of gross revenue from referred clients for a period of up to ten years, so long as the referred client continues to work with Elgethun Capital Management. Referral fees could be lower depending on the specific client referral. The referral agreements between any referring party and the applicant will not result in any charges to clients in addition to the normal level of advisory fees charged. The referral agreements between the applicant and referring parties are in compliance with regulations as set out in 17 CFR Section 206(4)-1.

Elgethun Capital Management may also enter in to agreements where the company may get compensation for giving advice or referrals pertaining to venture capital investments on behalf of their clients, such compensation coming from the venture capital project, will be fully disclosed to the clients of ECM.

In addition to the description of Other Compensation already described in Item 5 – Fees and Compensation, Item 10 – Other Financial Industry Activities and Affiliations, and Item 12 – Brokerage Practices.

## **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 advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.



Elgethun Capital Management is deemed to have custody of client funds and securities whenever Elgethun Capital Management is given the authority to have fees deducted directly from client accounts. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which Elgethun Capital Management is deemed to have custody, the firm 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 from Elgethun Capital Management. When clients have questions about their account statements, they should contact Elgethun Capital Management or the qualified custodian preparing the statement.

Elbark Capital, LLC is an affiliate of ECM and under common control of John Barker. Elbark Capital is the General Partner to Palisades Fund, a pooled investment vehicle and has custody of client funds. ECM is the managing member for ECM Yield Fund II, LLC and is also deemed to have custody. They follow the custody requirements for pooled investment vehicles and will;

1. Have assets held by a qualified custodian
2. The qualified custodian will provide statements to all investors of the private fund, at least quarterly
3. Annually have assets of the pooled investment vehicle verified by an independent accountant on a surprise basis

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

Through its asset management services and upon receiving written authorization from a client, Elgethun Capital Management will maintain trading authorization over client accounts. Upon receiving written authorization from the client, Elgethun Capital Management may implement trades on a **discretionary** basis. When discretionary authority is granted, Elgethun Capital Management will have the authority to determine the type of securities, the amount of securities that can be bought or sold, the broker or dealer to be used, and the commission rates paid for the client's portfolio without obtaining the client's consent for each transaction. However, it is the policy of Elgethun Capital Management to consult with the client prior to making significant changes in the account even when discretionary trading authority is granted by the client.

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, Elgethun Capital 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.

All clients have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. Clients may also place reasonable limitations on the discretionary power granted to our firm so long as the limitations are specifically set forth or included as an attachment to the client agreement.

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

Elgethun Capital Management acknowledges its fiduciary obligation to vote proxies on behalf of those clients that have delegated to it, or for which it is deemed to have, proxy voting authority. Elgethun Capital Management will vote proxies on behalf of a client solely in the best interest of the relevant client. Elgethun Capital Management has established general guidelines for voting proxies. Elgethun Capital Management may also abstain from voting if, based on factors such as expense or difficulty of exercise, it determines that a client's interests are better served by abstaining. Further, because proxy proposals and individual company facts and circumstances may vary, Elgethun Capital Management may vote in a manner that is contrary to the general guidelines if it believes that it would be in a client's best interest to do so. If a proxy proposal presents a conflict of interest between Elgethun Capital Management and a client, then Elgethun Capital Management will disclose the conflict of interest to the client prior to the proxy vote and, if participating in the vote, will vote in accordance with the client's wishes. Clients may obtain a complete copy of the proxy voting policies and procedures by contacting Elgethun Capital Management in writing and requesting such information. Each client may also request, by contacting Elgethun Capital Management in writing, information concerning the manner in which proxy votes have been cast with respect to portfolio securities held by the relevant client during the prior annual period.

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

This item is not applicable to this brochure. Elgethun Capital Management does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our 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, Elgethun Capital Management has not been the subject of a bankruptcy petition at any time. *(Please refer to Information Required by Part 2B of Form ADV: Brochure Supplement for more information concerning the individual IARs for the firm.)*

#### **CUSTOMER PRIVACY NOTICE**

Elgethun Capital Management is committed to safeguarding the confidential information of its clients. We hold all personal information provided by our clients in the strictest confidence. We have relationships with other non-affiliated investment advisors, insurance companies, trust companies, custodians and other financial institution entities. Except as required or permitted by law, we do not share confidential information about clients with non-affiliated third parties. In the unlikely event there were to be a change in this fundamental policy that would permit additional disclosures of client confidential information, the applicant will provide written notice to its clients and clients will be given an opportunity to direct the applicant as to whether such disclosure is permissible.

#### **AN IMPORTANT NOTICE CONCERNING CUSTOMERS' PRIVACY**

**CUSTOMER INFORMATION WE COLLECT.** We collect and develop personal information about clients and some of that information is nonpublic personal information (Customer Information). The essential purpose for collecting Customer Information is to provide and service the financial products and services clients obtain from our firm. The categories of Customer Information we collect depend upon the scope of

the engagement with the client and are generally described below.

As an investment advisor, we collect and develop Customer Information about clients in order to provide investment advisory services. Customer Information we collect includes:

- ✓ Information received from clients on financial inventories through consultations. This Customer Information may include personal and household information such as income, spending habits, investment objectives, financial goals, statements of account and other records concerning clients' financial condition and assets, together with information concerning employee benefits and retirement plan interests, wills, trusts, mortgages and tax returns.
- ✓ Information developed as part of financial plans, analyses or investment advisory services.
- ✓ Information concerning investment advisory account transactions, such as wrap account transactions.
- ✓ Information about a client's financial products and services transactions with the applicant.

**DATA SECURITY.** Elgethun Capital Management restricts access to Customer Information to those associated persons and employees who need the information to perform their job responsibilities. We maintain agreements, as well as physical, electronic and procedural securities measures that comply with federal regulations to safeguard Customer Information about clients.

**USE AND DISCLOSURE OF CUSTOMER INFORMATION TO PROVIDE CUSTOMER SERVICE FOR ACCOUNTS.** To administer, manage and service customer accounts, process transactions and provide related services for client accounts, it is necessary for us to provide access to Customer Information within the firm and to non-affiliated companies such as investment advisors, other broker/dealers, trust companies, custodians and insurance companies. Elgethun Capital 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.

**FORMER CLIENTS.** When clients close an account with Elgethun Capital Management, it will continue to operate in accordance with the principles stated in the Notice.

**REQUIREMENTS OF FEDERAL LAW.** In November of 1999, Congress enacted the *Gramm-Leach-Bliley Act* (GLBA). The GLBA requires certain financial institutions, including broker-dealers and investment advisors, to protect the privacy of Customer Information. To the extent a financial institution discloses Customer Information to non-affiliated third parties, other than as permitted or required by law, customers must be given the opportunity and means to opt out (or prevent) such disclosure. Please note that the applicant does not disclose Customer Information to non-affiliated third parties, except as permitted or required by law (e. g., disclosures to service a client's account or to respond to subpoenas).