

# Disclosure Brochure

March 10, 2023

## Élan Wealth Management, L.L.C.

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Élan Wealth Management, L.L.C. (hereinafter “EWM”). If you have any questions about the contents of this brochure, please contact Sharon Elliott at (252) 255-1700. 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 Élan Wealth Management, L.L.C. is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Élan Wealth Management, L.L.C. is a state registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

In this Item, EWM is required to discuss any material changes that have been made to this brochure since the firm's last annual amendment dated March 30, 2022. The Firm has added a heading back in Item 12 that described the Firm's receipt of soft dollars which was inadvertently removed. The disclosure has not changed, but the Firm added the header back to make the item clear that it receives soft dollars from Pershing.

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## Item 4. Advisory Business

EWM is an investment adviser providing financial planning and investment management services. Prior to engaging EWM to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with EWM setting forth the terms and conditions under which EWM renders its services (collectively the “*Agreement*”). Neither EWM nor the client may assign the *Agreement* without the consent of the other party. A transaction that does not result in a change of actual control or management of EWM is not considered an assignment.

EWM has been in business since August 9, 2007. Sharon Elliott is the principal owner of EWM. As of December 31, 2022, EWM had approximately \$113,489,722 in assets under management, all of which was managed on a discretionary basis.

This disclosure brochure describes the business of EWM. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of EWM's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on EWM's behalf and is subject to EWM's supervision or control.

### **Financial Planning and Investment Consulting Services**

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*Financial Planning Services.* EWM may be engaged to provide clients with a broad range of comprehensive financial planning services, which may include drafting a formal financial plan and/or advising on various financial matters.

*Investment Consulting Services.* EWM may also be engaged to consult and advise on outside investments and securities holdings, such as those held in client directed accounts and accounts managed by other financial professionals. In instances where EWM has been engaged by the sponsor of a qualified retirement plan, EWM may provide advisory and consultative services related to plan design, strategy, fee analysis and participant education, amongst other such functions.

The above described services are generally rendered pursuant to specialized engagements individually tailored to accommodate the needs of a particular client. In certain circumstances, EWM may agree to provide a combination of both financial planning and investment consulting services, as memorialized in the *Agreement*. These services may address a variety of topics including, but not limited to asset allocation, cash flow analysis, retirement planning, educational planning, estate planning, insurance planning, legacy planning and charitable giving, amongst others.

In performing its services, EWM is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. EWM may recommend the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if EWM recommends its own services. The client is under no obligation to act upon any of the recommendations made by EWM under

a financial planning or consulting engagement or to engage the services of any such recommended professional, including EWM itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of EWM's recommendations. Clients are advised that it remains their responsibility to promptly notify EWM if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising EWM's previous recommendations and/or services.

## **Investment Management Services**

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Clients can engage EWM to manage all or a portion of their assets on a discretionary or non-discretionary basis. EWM primarily allocates clients' investment management assets on a discretionary and/or a non-discretionary basis among *Independent Managers* (as defined below), mutual funds, as well as the securities components of variable annuities and variable life insurance contracts in accordance with the investment objectives of the client. EWM also provides advice about any type of investment held in clients' portfolios.

EWM also may render non-discretionary investment management services to clients relative to variable life/annuity products that they may own and/or their individual employer-sponsored retirement plans, or other products that may not be held by the client's primary custodian. In so doing, EWM either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

EWM tailors its advisory services to the individual needs of clients. EWM ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance. Clients are advised to promptly notify EWM if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon EWM's management services.

## **Use of Independent Managers**

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As mentioned above, EWM recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment managers ("*Independent Managers*"), based upon the stated investment objectives of the client. The terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written agreement between EWM or the client and the designated *Independent Managers*. EWM renders services to the client relative to the discretionary selection of *Independent Managers*. EWM also monitors and reviews the account performance and the client's investment objectives. EWM receives an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Managers*.

When selecting an *Independent Manager* for a client, EWM reviews information about the *Independent Manager* such as its disclosure statement and/or material supplied by the *Independent Manager* or

independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that EWM considers in recommending an *Independent Manager* include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated *Independent Managers*, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, EWM's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by EWM, the designated *Independent Managers*, and corresponding broker-dealer and custodian.

In addition to EWM's written disclosure statement, the client also receives the written disclosure statement of the designated *Independent Managers*. Certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than EWM. In such instances, EWM may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

If EWM refers a client to an *Independent Manager* where EWM's compensation is included in the advisory fee charged by such *Independent Manager* and the client engages the *Independent Manager*, EWM shall be compensated for its services by receipt of a fee to be paid directly by the *Independent Manager* to EWM in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, and any corresponding state securities laws, rules, regulations, or requirements. Any such fee is paid solely from the *Independent Manager's* investment management fee, and does not result in any additional charge to the client.

### **Additions and Withdrawals to Accounts**

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Clients may make additions to and withdrawals from their account at any time, subject to EWM's right to terminate an account. Clients may withdraw account assets on notice to EWM, subject to the usual and customary securities settlement procedures. However, EWM designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives.

## Item 5. Fees and Compensation

EWM offers its services on a fee basis which may include fixed fees, as well as fees based upon assets under management or advisement.

### **Financial Planning and Investment Consulting Fees**

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#### *Financial Planning Fees*

In certain situations, EWM may charge clients a fixed fee for financial planning services. These fees are negotiable, but generally range from \$500 to \$3,500, depending upon the level and scope of the agreed upon services. Prior to engaging EWM to provide financial planning services, the client is required to enter into a written agreement with EWM setting forth the terms and conditions of the engagement. Generally, EWM requires one-half of the financial planning fee (estimated fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services. If the client engages EWM for additional investment advisory services, EWM may offset all or a portion of its fees for those services based upon the amount paid for the financial planning services.

#### *Investment Consulting Fees*

Depending upon the terms of a specific investment consulting engagement, EWM generally charges a fee based upon either a fixed rate or a percentage of assets under advisement. These fees are negotiable, but typically range up to \$3,500 for fixed fees and between 0.50% and 1.50% for annual asset-based fees. This fee is typically charged quarterly, in advance, based upon the market value of the assets on the last day of the previous quarter. If the client engages EWM for additional investment advisory services, EWM may offset all or a portion of its fees for those services based upon the amount paid for the investment consulting services.

### **Investment Management Fees**

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EWM charges an annual investment management fee based upon a percentage of the market value of the assets being managed by EWM. EWM's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets on the last day of the previous quarter. The annual fee varies (between 0.50% and 1.50%) depending upon the market value of the assets under management and the type of investment management services to be rendered.

The Firm includes cash in a client's account in determining the valuation for billing purposes. The Firm may, in its sole discretion, not include cash in determining the fee, especially where a client has a high percentage of cash for reasons other than the Firm's investment management decision.

EWM's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which is incurred by the client. However, EWM does not receive any portion of these commissions, fees, and costs.

## **Fee Discretion**

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EWM, in its sole discretion, may negotiate to charge lesser fees than those described above, based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

## **Fees Charged by Financial Institutions**

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As further discussed in response to Item 12 (below), EWM generally recommends that clients utilize the brokerage and clearing services of Pershing, LLC through Pershing Investment Manager Services ("*Pershing*") for investment management accounts.

EWM may only implement its investment management recommendations after the client has arranged for and furnished EWM with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Pershing*, any other broker-dealer recommended by EWM, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as fees charged by *Independent Managers* (as defined below), custodial fees, charges imposed directly by a mutual fund or ETF in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to EWM's fee.

EWM's *Agreement* and the separate agreement with any *Financial Institutions* may authorize EWM or *Independent Managers* to debit the client's account for the amount of EWM's fee and to directly remit that management fee to EWM or the *Independent Managers*. Any *Financial Institutions* recommended by EWM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to EWM.

## **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the fees shall be calculated on a *pro rata* basis.



The *Agreement* between EWM and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. EWM's fees shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to EWM's right to terminate an account. However, EWM designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter.

Additions may be in cash or securities provided that EWM reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. EWM may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

EWM does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7. Types of Clients

EWM provides its services to individuals, trusts, estates, corporations and other business entities.

### **Minimums Imposed By Independent Managers**

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EWM does not impose a minimum portfolio size or minimum annual fee. Certain *Independent Managers* may, however, impose more restrictive account requirements and varying billing practices than EWM. In such instances, EWM may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

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

### Methods of Analysis and Investment Strategies

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EWM selects securities for mutual fund portfolios based on asset allocation decisions, rather than the overall attractiveness of mutual funds, individual stocks, or bonds. Specifically, EWM tries to determine the mix of mutual funds, common stocks, bonds, and money market instruments (cash investments) that offer the best combination of potential return and risk. EWM aims to maximize the long-term total return of clients' assets given each client's existing risk profile and personal goals. At any given time, EWM may allocate all, a portion, or none of clients' assets to various asset classes such as Large Growth, Large Value, Mid-Growth and Value, Small Growth and Value, Foreign, Real Estate, Commodities, Natural Resources, Emerging market debt and equity, International Bonds, domestic government, municipal and corporate bonds, etc.

For mutual fund stock allocation, EWM utilizes a diversified portfolio of stocks selected to parallel the performance of the S&P 500 Index or the S&P stock index futures. Stocks are evaluated using a "dividend discount" model, which provides an estimate of the total return of the S&P 500 Index based on the expected earnings of each company in the Index. When selecting bonds, EWM utilizes long-term (10 to 30 year maturities), U.S. Treasury Bonds (or other "full faith and credit" obligations of the U.S. government), or U.S. Treasury Bond futures. EWM evaluates the attractiveness of a potential bond investment based on its current yield to maturity, which is based on the bond's purchase price, redemption value, time to maturity, yield, and time between interest payments. Cash investments may include a variety of money market instruments, including U.S. Treasury Bills, government agency securities, high quality commercial paper, and certificates of deposit. For mutual fund research, research software systems are employed, and consideration is given to criteria such as management style, fund expenses, management longevity and turnover, portfolio turnover, portfolio risk-adjustment returns, fund ratings versus peers, fund ranking versus peers, portfolio asset allocation consistency, tax efficiency, appropriateness given total asset allocation and risk profile, etc.

In addition, EWM utilizes a computer model to estimate the return and risk of each asset class then implements shifts in allocation in a disciplined manner. EWM's belief is that within fluctuations of the financial markets, there are occasional brief periods in which the market values of the asset classes do not reflect their true value. EWM attempts to capitalize on these perceived imbalances by changing the mix of the holdings in the three asset classes. There are no limitations on the amount of assets that may be allocated to stocks, bonds, or money market instruments; EWM can invest up to 100% of the mutual fund's assets in any one of these three classes.

### Risk of Loss

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The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved with respect to the Firm's investment management activities. Clients should consult with their

legal, tax, and other advisors before engaging the Firm to provide investment management services on their behalf.

## *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for index-based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

## *Market Risks*

The profitability of a significant portion of EWM's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that EWM will be able to predict those price movements accurately.

## *Volatility Risks*

The prices and values of investments can be highly volatile, and are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, the financial condition of the issuers of such assets, changing supply and demand relationships, and programs and policies of governments.

## *Cash Management Risks*

The Firm may invest some of a client's assets temporarily in money market funds or other similar types of investments, during which time an advisory account may be prevented from achieving its investment objective.

## *Use of Independent Managers*

EWM may recommend the use of *Independent Managers* for certain clients. EWM will continue to do ongoing due diligence of such managers, but the such recommendations relies, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, EWM does not have the ability to supervise the *Independent Managers* on a day-to-day basis, if at all.

## **Item 9. Disciplinary Information**

EWM is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. EWM does not have any required disclosures to this Item.

## Item 10. Other Financial Industry Activities and Affiliations

EWM is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. EWM has described such relationships and arrangements below.

### **Registration as Insurance Agency**

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EWM is a duly licensed insurance agency. Additionally, certain of EWM's Supervised Persons, in their individual capacities, are licensed insurance agents with various insurance companies and may recommend the purchase of certain insurance products. A conflict of interest exists to the extent that EWM or its Supervised Persons recommend the purchase of insurance products where EWM or its Supervised Persons receive insurance commissions or other additional compensation. In an effort to mitigate the effect of this conflict, it is EWM's policy to ensure that all such recommendations are made on a fully-disclosed basis and only when aligned with a client's best interests.

### **Fees from Independent Managers**

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As discussed above, EWM recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain Independent Managers. In certain circumstances the Firm's compensation is included in the advisory fee charged by such Independent Managers. There may be a conflict of interest to choose such Independent Managers; however, EWM evaluates Independent Managers objectively and not based on the amount of compensation it may receive from a particular Independent Manager.



## Item 11. Code of Ethics

EWM has adopted a code of ethics in compliance with applicable securities laws (“Code of Ethics”) that sets forth the standards of conduct expected of its Supervised Persons. EWM’s Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of EWM’s personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings). However, the Firm’s Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm’s policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by money market funds; and iv) shares issued by other unaffiliated open-end mutual funds.

Clients and prospective clients may contact EWM to request a copy of its Code of Ethics by contacting the Firm at the phone number on the cover page of this brochure.

## Item 12. Brokerage Practices

As discussed above, in Item 5, EWM shall generally recommend that clients utilize the brokerage and clearing services of *Pershing*.

Factors which EWM considers in recommending *Pershing* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Pershing* enables EWM to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Pershing* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by EWM's clients comply with EWM's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where EWM determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. EWM seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

EWM periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct EWM in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and EWM will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by EWM (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, EWM may decline a client's request to direct brokerage if, in EWM's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless EWM decides to purchase or sell the same securities for several clients at approximately the same time. EWM may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among EWM's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among EWM's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that EWM determines to aggregate client orders for the purchase or sale of securities, including securities in which EWM's *Supervised Persons* may invest, EWM shall generally do so in accordance with

applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. EWM shall not receive any additional compensation or remuneration as a result of the aggregation. In the event that EWM determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, EWM may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist EWM in its investment decision-making process. Such research generally will be used to service all of EWM's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because EWM does not have to produce or pay for the products or services.

### **Software and Support Provided by Financial Institutions**

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EWM may receive from *Pershing*, without cost to EWM, computer software and related systems support, which allow EWM to better monitor client accounts maintained at *Pershing*. EWM may receive the software and related support without cost because EWM renders investment management services to clients that maintain assets at *Pershing*. The software and related systems support may benefit EWM, but not its clients directly. In fulfilling its duties to its clients, EWM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that EWM's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence EWM's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, EWM may receive the following benefits from *Pershing* through its Pershing Advisor Solutions division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Pershing Advisor Solutions participants; access to block trading

which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

### **Receipt of Soft Dollars**

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In addition to the research services described above, EWM may be offered other non-monetary benefits by broker-dealers that it may engage to execute securities transactions on behalf of clients. These benefits are often called “soft dollars.” These services may include the payment of all or a portion of clients’ or EWM’s administrative costs and expenses of operation, such as research and performance reporting software. The availability of these benefits have an influence on EWM’s selection of *Pershing* rather than another based on EWM’s interest rather than on clients’ interests in receiving most favorable execution. Nevertheless, EWM will assure either that the fees and costs for services provided to clients by brokers offering these benefits are not materially greater than they would be if the services were performed by brokers not offering these services.

The use of brokerage commissions to obtain research products and/or other services creates a conflict of interest because clients pay for such products and services that are not exclusively for the benefit of clients and may be primarily or exclusively for the benefit of EWM.

## Item 13. Review of Accounts

### Account Reviews

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For those clients to whom EWM provides investment management services, EWM monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom EWM provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by the Principal of EWM, Sharon Elliott. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with EWM and to keep EWM informed of any changes thereto. EWM shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

### General Reports and Account Statements

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Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom EWM provides investment advisory services will also receive a report from EWM that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Clients should compare the account statements they receive from their custodian with those they receive from EWM.

### Financial Planning and/or Consulting Reports

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Those clients to whom EWM provides financial planning services will receive reports from EWM summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by EWM.

## Item 14. Client Referrals and Other Compensation

### Client Referrals

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EWM does not currently provide compensation to third-party solicitors for client referrals.

### Other Economic Benefit

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EWM may receive an economic benefit from a third party (non-client) for providing investment advice to the firm's advisory clients. This type of relationship poses a conflict of interest, as discussed in Item 12.

## Item 15. Custody

EWM's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize EWM through such *Financial Institution* to debit the client's account for the amount of EWM's fee and to directly remit that management fee to EWM in accordance with applicable custody rules.

The *Financial Institutions* recommended by EWM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to EWM. In addition, as discussed in Item 13, EWM also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from EWM.

## Item 16. Investment Discretion

EWM may be given the authority to exercise discretion on behalf of clients. EWM is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. EWM is given this authority through a power-of-attorney included in the agreement between EWM and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). EWM takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Independent Managers* to be hired or fired.



## Item 17. Voting Client Securities

EWM may vote client securities (proxies) on behalf of its clients. When EWM accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully- described in EWM's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in EWM's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact EWM to request information about how EWM voted proxies for that client's securities or to get a copy of EWM's Proxy Voting Policies and Procedures. A brief summary of EWM's Proxy Voting Policies and Procedures is as follows:

- EWM has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to EWM's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, EWM devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct EWM's vote on a particular solicitation but can revoke EWM's authority to vote proxies.
- Written requests from a client for information on how the Adviser voted proxies on behalf of the client, and a copy of any written responses by the Adviser to any client request for information on how the Adviser voted proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that EWM maintains with persons having an interest in the outcome of certain votes, EWM takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

## Item 18. Financial Information

EWM is not required to disclose any financial information pursuant to this Item due to the following:

- The firm does not require or solicit the prepayment of more than \$500 in fees six months or more in advance;
- The firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The firm has not been the subject of a bankruptcy petition at any time during the past ten years.

# Élan Wealth Management, L.L.C.

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