



# EXCELSIOR CAPITAL ADVISORS, LLC

## Form ADV Part 2A Brochure

March 9, 2012

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[www.excelsiorcapitaladvisors.com](http://www.excelsiorcapitaladvisors.com)

This brochure provides information about the qualifications and business practices of Excelsior Capital Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (561) 353-4440 and/or [tlm@excelsiorcapitaladvisors.com](mailto:tlm@excelsiorcapitaladvisors.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.

Excelsior Capital Advisors, LLC is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

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

## Item 2 – Material Changes

Excelsior Capital Advisors, LLC has made no material changes to this brochure since the last annual update on March 30, 2011.

We will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

Currently, our brochure may be requested by contacting Tabitha LeTourneau Meyerer, CFP® at (561) 353-4440 or via email [tlm@excelsiorcapitaladvisors.com](mailto:tlm@excelsiorcapitaladvisors.com).

Additional information about Excelsior Capital Advisors, LLC is also available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with Excelsior Capital Advisors, LLC who are registered, or are required to be registered, as investment adviser representatives of Excelsior Capital Advisors, LLC.

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## **Item 4 – Advisory Business**

### **Firm Description**

Excelsior Capital Advisors, LLC (“Adviser”, “Excelsior” or “We”), is a limited liability company formed under the laws of the state of Delaware. The principals of the firm, Kathleen A. Grace, CFP®, CIMA®, with 19 years of experience and Tabitha LeTourneau Meyerer, CFP®, with 12 years experience, founded Excelsior Capital Advisors, LLC in August 2007.

Excelsior Capital Advisors, LLC provides wealth management services including: investment supervisory services on a discretionary basis, investment consulting, family office services, and financial planning services. The investment consulting and supervisory services are provided by Excelsior and executed by the third party investment managers we recommend. Account supervision is guided by the stated objectives of the client and all accounts are maintained with an independent third party custodian.

### **Wealth Management Services**

#### **Investment Consulting:**

Excelsior Capital Advisors, LLC creates individual portfolios tailored to meet client’s objectives with optimal positioning for asset growth. Each portfolio is created using a sound diversification strategy seeking the best possible risk-adjusted results with the objective to minimize volatility through all market cycles.

Client investment objectives are identified by assessing the client's risk tolerance based upon their age, income, education, current and future expected need for cash flows, investment goals, and emotional tolerance for volatility. The information provided by the client may be collected during client meetings, interviews, and/or questionnaires. Once we obtain client information through our Investor Profile Questionnaire and analyze the client’s financial situation, we then formulate an Investment Policy Statement, and implement the investment strategy through an optimal combination of investments or recommend an unaffiliated investment manager to manage client assets. Capital market conditions and client circumstances are monitored and portfolio adjustments are made as appropriate to reflect significant changes in any or all of the above variables.

Clients may elect to impose guidelines/restrictions on investing in certain securities or types of securities by providing a written list of security restrictions or security type restrictions to the Adviser, which will then be incorporated in the client’s Investment Policy Statement. It is the client’s responsibility to notify the Adviser of a change or amendment in writing and provide a reasonable time period within which to comply. If at anytime the Adviser or investment manager is unable to adhere to the client’s guidelines and/or restrictions, the

client will be notified promptly and whereby the client and Adviser will then mutually determine to forego restrictions or terminate the relationship with the third party manager and/or Investment Adviser.

### **Family Office Services:**

Excelsior Capital Advisors, LLC also offers family office services, which may include but are not limited to the following services;

- Oversight and coordination of estate, income tax, cash flow, risk management and investment strategies with the client's other advisors
- Cash management services, track and monitor cash flow
- Liaison to banking services and relationships
- Analysis of financial issues
- Assist with planning for future cash flow needs
- Risk management/insurance review consulting
- Financial statement recordkeeping, compilation of books, reports
- Review and/or negotiate with client's vendors and services providers to help determine the best options for the client
- General financial advice
- Other services not specific to investment management

### **Financial Planning and/or Project Based Services:**

Clients may enter into an agreement whereby Excelsior will provide financial planning services or other project based services. Financial planning services are provided on either a broad based or modular basis, depending on an individual client's preference and requests. A broad based plan involves a more detailed review of the client's overall financial position, objectives and goals, and may address areas such as, estate planning, cash flow management, tax planning or insurance planning. A modular plan focuses on a specific area(s) that the client has requested the Adviser to provide input and review. In the event that a client selects modular plan, the firm's services will be expressly limited to the modules identified by the client.

Information is obtained through personal interviews with the client(s), including information regarding each client's goals, objectives, attitudes toward risk, and investment experience. Information provided by the client will be reviewed and, to the extent it is pertinent and part of the module and scope, will be incorporated into the financial plan prepared for the client. The results of the review and analysis by the Adviser are put into a written financial plan that is provided to the client.

## Wrap Fee Programs

Excelsior does not participate in wrap fee programs.

## Assets Under Management/Advisement

Excelsior Capital Advisors, LLC provides investment supervisory/consulting services on a discretionary basis. As of December 31, 2011, Excelsior managed assets for 22 families, and the assets under management/advisement, as defined by the Securities and Exchange Commission, were \$120,189,295, comprised of 251 accounts. Excelsior does not currently manage any assets on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

### Investment Advisory and Consulting Services

Investment advisory service compensation may be based upon a percentage of assets under management/advisement, a fixed annual fee, or an hourly rate. The compensation method is explained, negotiated and agreed with the clients in advance and within the Investment Advisory Agreement, before any services are rendered.

Asset based advisory fees are negotiable and the actual amount of the fee is based on the fee schedule, the complexity of the client's investment holdings, financial situation and objectives, nature and extent of investment planning and analysis required, desired frequency of review and monitoring of the client's investment performance, geographic location(s) of client and each family member, and whether Excelsior is providing investment advisory services to other members of the client's family, as well as the scope of services provided to the family members. In determining the fee amount, the Adviser may aggregate the assets in accounts of the client's family members (ex: husband, wife, dependents, siblings, related trust accounts, and family limited partnerships) for which the Adviser is providing advisory services.

If the Adviser charges an annual fee for the furnishing of such advice amounting to a percentage of assets under management/advisement, the fee is calculated based upon the following ranges:

Assets Under Management	Annual Advisory Fee* (% of Assets)
\$2,000,000 or less	1.10% - 1.60%
\$2,000,001 - \$5,000,000	1.00% - 1.35%
\$5,000,001 - \$10,000,000	0.85% - 1.10%
Greater than \$10,000,000	0.60% - 1.00%

\* Client accounts are subject to a minimum annual fee of \$10,000 (\$2,500 per quarter) per client relationship.

The investment advisory fee is calculated using a percentage of the aggregate value of all assets comprising the client's accounts under advisement, wherever they are custodied. It is the client's responsibility to provide a month-end statement reflecting all market values for positions held at custodian's other than the directed broker. The client shall provide the Adviser all cost basis information for any assets transferred into the account(s). The client will continue to be billed while awaiting cost basis information. The client shall pay the advisory fees quarterly in advance, on the first day of the month for the succeeding quarter ("quarter" defined as any three consecutive month period), during the agreement. The total value of the client's assets will be determined as of the close of business on the last day of the preceding quarter. The client authorizes the Adviser to debit and deduct from the account(s) any and all such Adviser fees as provided in the Investment Advisory Agreement. Fees shall be paid by the custodian directly to the Adviser or its delegated agent, pursuant to the preauthorization given by the client within the custodian's Account Application Agreement. The client's initial charges will be prorated for the current quarter and commence effective upon the date of the execution of the Investment Advisory Agreement regardless of the location of the assets under advisement. For any fees the client is billed directly, the client shall pay said fees within 30 days of the bill. Clients should be aware of their responsibility to verify the accuracy of the fee calculation submitted to the custodian by the Adviser, as it is not the custodian's responsibility to determine whether the fee has been properly calculated.

Excelsior may provide investment advisory services on an hourly basis at \$250 per hour, for clients who request specific project related services, not including a comprehensive written financial plan. These fees are generally calculated and payable at the completion of each month, although in some cases, they may be paid weekly or periodically in advance or arrears based on negotiations with each client.

Fixed-annual fee arrangements are determined and agreed upon at inception and may be based upon the complexity of the client's investment holdings, the aggregate value of assets under advisement, financial situation and objectives, nature and extent of investment planning, analysis required, desired frequency of review and monitoring of the client's investment performance, geographic location(s) of client and each family member, and whether Excelsior is providing investment advisory services to other members of the client's family, as well as the scope of services to the family members.

The Adviser reserves the right to adjust the fee schedule for accounts depending on the size and type of account, the time spent and the services required. In some cases, negotiation of fees may result in different fees being charged for similar services and may be less than the stated fee schedule.

Pursuant to the terms of the Investment Advisory Agreement, the Adviser expressly reserves the right to modify the investment advisory fee for services performed, which were not previously contemplated as of the date of execution of the Investment Advisory Agreement. If

at any time the client requests additional services that were not contemplated at as of the date of execution of the Investment Advisory Agreement, in Excelsior's sole discretion, Excelsior may bill a rate of \$250 per hour for the additional services provided. The Adviser expressly reserves the right to modify the investment advisory fee. Clients will be notified of such an adjustment in writing, with 30 days advance notice to the client, prior to the commencement of services. Clients will then be required to execute a revised Investment Advisory Agreement.

Either the Adviser or the client may terminate the Agreement for any reason upon 30 days written notice to the other party. The Adviser shall be entitled to the fees payable for 30 days after either the written termination of the Investment Advisory Agreement or written termination of management authority. If any management fees are due to be refunded, it shall be done on a prorated basis. The client may terminate the Investment Advisory Agreement without penalty within five business days of executing the Agreement.

Advisory fees charged by the Adviser are exclusive of and in addition to any and all fees and charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, trade fees, brokerage commissions, 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. Mutual funds and exchange traded funds also charge internal management fees, which are in addition to Excelsior's advisory fee and disclosed in a fund's prospectus. Clients should review all fees charged by the Adviser, custodians, brokers, and others (including but not limited to third party separate account managers) to fully understand the total amount of fees incurred.

### **Family Office Services**

Family office services may also include investment advisory services and as such the fee may be combined to be a calculation of the projected hours expended in services unrelated to the investment portfolio at the \$250 per hour rate, per employee, plus the standard investment advisory fee schedule. Excelsior may in its sole discretion, provide family office services to certain clients at no additional charge.

### **Financial Planning and/or Project Based Services**

The fee charged for the consultation and preparation of a financial plan is either a fixed fee or an hourly rate as determined and agreed upon pursuant to discussions with the client prior to engagement. Typically, the Adviser charges a fixed fee for this service. Fees are usually determined by estimating the hourly rate and costs associated with producing a plan. In the event the client desires to proceed on a fixed fee basis and seeks additional services, the additional work will be billed on an hourly basis, a fixed fee basis, and/or a percentage of assets under advisement depending on the services requested, after notifying the client. The hourly rate charged by the Adviser for financial planning services is \$250 per hour; however, any and



all material costs (including but not limited to; copying, binding postage; etc.) are billed separately and are in addition to the hourly rate. Planning fees, either on an hourly or fixed fee basis, range up to \$30,000, depending on the complexity of the plan and services requested.

For fixed fee arrangements, one half of the fee is paid upon engagement, with the balance due upon presentation of the written financial plan. However, at no time will Excelsior collect fees of \$1,200 or more, six months or more in advance. Financial planning and/or project based services are billed hourly and are invoiced and payable monthly in arrears. The client may terminate the financial planning agreement within five days of the date of the execution without penalty to the client. After the five-day period, either party may terminate the agreement by providing written notice to the other party. In the event the client terminates the agreement after five days of execution, the client will be charged for the portion of work performed by Adviser prior to termination.

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

Excelsior Capital Advisors, LLC does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). In addition, Excelsior is not a side-by-side manager (one that manages both accounts that are charged a performance based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee). See *Item 5 – Fees and Compensation* for a complete explanation of fees charged.

## **Item 7 – Types of Clients**

Excelsior Capital Advisors, LLC provides wealth management, investment advisory and consulting services, family office services, financial planning services, to individuals, high net worth individuals, individual retirement accounts, qualified plans, pension and profit-sharing plans, family foundations, corporations, limited liability companies, limited partnerships, and trusts.

Adviser will assess a minimum annual fee of \$10,000 (\$2,500 per quarter) to accounts receiving ongoing asset management services. “*Item 5 – Fees and Compensation*” herein sets forth Excelsior Capital Advisors, LLC complete fee disclosure. Accounts with a small balance may pay a higher annual fee than those normally charged by other investment advisers.

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

The basic underlying approach to the management of client portfolios is to optimize the risk-return relationship appropriate to the client’s needs and goals using a globally diverse portfolio of a variety of asset classes and sub-asset classes, including cash. This is accomplished using

various investment vehicles. Excelsior's philosophy is primarily "buy and hold," with periodic rebalancing, however tactical allocation strategies may be employed.

We believe that investors demand to be adequately rewarded for taking a certain amount of risk. To a large extent, the appropriate allocation of capital among asset classes determines long-term results (over 10 years). We attempt to build an optimal mix of diversified investments that have low correlation to one another, thus historically reducing the statistical probability of the entire portfolio experiencing significant losses based upon one asset class. Rebalancing asset classes within the portfolio back to its determined target allocation may also minimize risk and volatility over the long term.

Excelsior acts as a consultant in assisting with the search, selection and due diligence of investment managers. We examine both quantitative and qualitative aspects of investment managers, and report each manager's performance analysis using appropriate measures. A recommended portfolio is determined after the client's allocation and investment objectives are evaluated in conjunction with a review of their financial resources, financial goals, current and future expected cash flows, asset allocation, risk tolerance, tax status, holding limitations, time horizon and expected investment performance. Even though there are some inconsistencies and/or contradictions of answers within the client's Investment Profile Questionnaire, the Investment Policy Statement attempts to blend the client's objectives with their tolerance for risk when all factors are considered. The client's specific investment objective may be unattainable given their tolerance for risk, market conditions and other constraints. Excelsior's investment philosophy and Investment Policy Statements do not attempt to consider the active management of short-term investment fluctuations. Capital values do fluctuate over shorter periods and the possibility of capital loss does exist. Historical asset class return data suggests the risk of principal loss over a holding period of at least five to ten years can be minimized with a long-term investment mix. Asset allocations are developed as a long-term strategy for the management of client assets.

The strategic proportions allocated to any major asset class may be reduced or increased to values indicated by the corresponding acceptable ranges listed within the Investment Policy Statement at the sole discretion of the Adviser. The portfolio should be rebalanced at least annually if it falls outside of the acceptable ranges. Rebalancing may be performed more frequently at the Adviser's discretion. Although a target allocation is listed within the client's Investment Policy Statement for each of the various major and sub-asset classes, the Adviser has sole discretion to allocate as the Adviser deems appropriate among the major and sub-asset classes, so long as the total allocation to the major and sub asset classes is within the range of holding limits of the asset class. Such tactical allocations may be used to exploit market disequilibria that may emerge, take advantage of perceived economic opportunity, or to control portfolio risk. These tactical allocation changes may be short, intermediate or long-term changes, which may include larger allocations to cash.

Excelsior Capital Advisors, LLC provides investment consulting for various types of securities and may recommend the following asset classes and security types by itself or through a third party investment manager:

**Asset Classes:**

- Cash/Cash Equivalents
- Fixed Income – Domestic (U.S.) Bonds
- Equities – U.S.
- Equities – REITs
- Mortgages
- Currencies
- Alternative Investments/Hedge Funds
- Fixed Income – Non-U.S. Bonds
- Equities – Non-U.S.
- Equities – Emerging Markets
- Real Estate
- Commodities/Precious Metals
- Equipment Leasing

**Security Types:**

- Mutual Funds
- Individual Stocks / Preferred Stocks
- Exchange Traded Fund (ETF's)
- Exchange Traded Notes (ETN's)
- Covered Call Options
- Certificates of Deposit
- Real Estate Investment Trusts (REITs)
- American Depository Receipts (ADR's)
- Commercial Paper
- Individual Bonds
- Closed-end Fund
- Unit Investment Trusts
- Structured Notes/Hedge Funds
- Annuities (Deferred, Variable)
- Limited Partnerships
- Warrants
- Variable Life Insurance

In addition to the above referenced types of investments, Adviser and/or the third party investment manager may also provide advice on any type of investment held in a client's portfolio at the inception of the advisory relationship. Furthermore, Adviser may explore other investment options at the client's request or any other of investment that it deems appropriate based on the client's stated goals and objectives.

The client signs an Investment Policy Statement acknowledging that all target asset allocations or ranges may not be reached for a period of time, or may be invested only as assets are available to invest in the target strategy. The client also acknowledges investing at different time periods may have a positive or negative impact on the future values and returns of the portfolio. No guarantees can be given regarding future performance and the Investment Policy Statement shall not be interpreted as offering any guarantees. Client acknowledges and agrees that deposits and/or withdrawals of assets from the account(s) by the client may require the Adviser to rebalance the portfolio to maintain the desired allocation which may, in turn, result in losses, transaction costs, and/or other fees. Withdrawal of assets from the account(s) may also adversely affect financial performance and the ability of the Adviser to attempt to achieve the client's financial objectives. If cash/cash equivalents or other assets are withdrawn from the client's portfolio, the Adviser may liquidate any positions within the portfolio, which may incur

additional fees and transaction costs and/or result in losses, in order to bring the percentage weighting of each asset class to an acceptable range based upon the Adviser's discretion.

In conducting the analysis of securities and investment managers, Excelsior uses a number of tools including commercially available software technology, securities rating services, general market and financial information and due diligence reviews. The principle sources of information include commercially available investment services, financial newspapers, research available from custodians, various reports of mutual fund performance, prospectuses, corporate rating services, and various financial and business magazines, periodicals and issuer-prepared information, including filings with the Securities and Exchange Commission and financial statements. The Adviser may also use outside consultants in certain circumstances to provide expertise in particular areas of information or analysis.

The Adviser will provide the names of unaffiliated, third party investment managers selected from search lists after considering the compatibility of the investment manager or other investment manager's investment philosophy, minimum investment requirements and other factors with the client's investment objectives, risk tolerances and other client criteria. As a general matter, the Adviser expects that the factors that will be used to determine the names of third party investment managers on the search lists will include, but will not necessarily be limited to:

- Past performance, considered relative to other investments having the same investment objective or category (style). Generally, consideration shall be given to both performance rankings over a minimum three-year time frame and consistency in performance during various market cycles
- Clean regulatory record
- Qualitative factors such as; client service, compliance, firm risk, the firm's business plans, the investment products they offer, and how they develop new ideas
- Reputation, continuity and strength of management
- Investment style, philosophy and discipline of the proposed manager
- Risk-adjusted return, assets under management, product risk, research, portfolio characteristics and sector weightings
- Size of the proposed mutual fund and or investment manager
- Historical volatility (measured by standard deviation) and downside risk of each proposed investment
- How well each proposed investment complements other assets in the portfolio
- The current economic environment
- The likelihood of future investment success, relative to other opportunities
- Minimum dollar investment requirement and fees

The Adviser may implement some or all of the following investment strategies in a client's portfolio by itself or through a third party investment manager:

- Long-term security purchases (securities held at least one year)
- Short-term security purchases (securities held less than one year)
- Trading (securities sold within 30 days)
- Short sales
- Margin transactions
- Option writing, including covered options, uncovered options or spreading strategies

Although short sales and/or options writing (including covered options, uncovered options or spreading strategies) are not used as part of the Adviser's overall investment strategy, these strategies may be employed on a limited basis should the portfolio manager determine that it is suitable given the client's stated investment objectives and risk tolerance. Additionally, these strategies may be employed at the client's request, or they may be transferred in as part of an existing portfolio at the inception of the Adviser/Client relationship. Additionally, trading (securities sold within 30 days) is generally employed only at inception of a management relationship for initial portfolio structuring and thereafter for limited re-balancing of a managed account.

### **Principal Risks Regarding Methods of Analysis and Investment Strategies**

Clients should understand that investing in any type of security involves risk of loss that a client should be prepared to bear. There is no guarantee against loss resulting from an investment. There is no guarantee or assurance that an investment manager/fund will attain their investment objectives. When you sell a security it may be worth less than what you paid for it because the value of the security or fund's investments will fluctuate, reflecting day-to-day changes in market conditions, interest rates and numerous other factors. Diversification does not assure against market loss. Past performance of a security is no indication of future results. The client should also understand that performance may fall below expected performance targets, and as such all investments go through cycles and therefore there will be periods of time in which the investment objectives are not met or when specific managers or investments fail to meet their expected performance targets.

The following is a general summary of investment risks a client should consider prior to investing in any security and is not inclusive of all risks of investing in securities:

- ***Asset Allocation Risk:*** A client's portfolio is subject to the risk that the allocation of investments in various asset classes may have a more significant effect on the performance of the portfolio when one or several of the asset classes are performing more poorly than others.

- **Call Risk:** Fixed income securities are also subject to call risk, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (repay) securities with higher interest rates before their maturity dates. An investor could lose potential price appreciation and may be forced to reinvest the proceeds at lower interest rates.
- **Credit Risk:** The value of stocks and fixed income securities may also be affected by credit risk, i.e., changes in the financial condition of, and other events affecting, specific issuers. A security or fund could lose value if an issuer, guarantor, or the counterparty to a derivative contract is unable or unwilling to meet its financial obligations. An issuer's credit quality depends on its ability to pay interest on and repay its debt and other obligations. Defaulted securities (or those expected to default) are subject to additional risks in that the securities may become subject to a reorganization plan that can diminish or eliminate their value. The credit risk of a security may also depend on the credit quality of any bank or financial institution that provides credit enhancement for the security.
- **Derivatives Risk:** The risk of investing in derivative instruments, including liquidity, interest rate, market, credit and management risks, mispricing or improper valuation. Changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index, and a fund or investment manager utilizing derivatives could lose more than the principal amount invested.
- **Firm specific risk:** The risk associated with owning a single company stock that may be negatively affected by different factors than the overall stock market. Some examples include negative publicity, product failure or recalls, or bankruptcy.
- **Focused Portfolio and Non-Diversification Risks:** A single manager or a fund with few securities may have more volatility and is considered to have more risk than a fund that invests in a greater number of securities; therefore changes in the value of a single security may have a more significant effect, either negative or positive, on the value of the fund.
- **Foreign Securities and Currency Risk:** Foreign/International securities (stocks, bonds, ADR's) involve some special risks such as exposure to potentially adverse foreign political and economic developments; market instability; industry concentration, nationalization and exchange controls; potentially lower liquidity and higher volatility; possible problems arising from accounting, disclosure, settlement, and regulatory practices that differ from U.S. standards; foreign taxes that could reduce returns; higher transaction costs and foreign brokerage and custodian fees; inability to vote proxies, exercise shareholder rights, pursue legal remedies, and obtain judgments with respect to foreign investments in foreign courts; possible insolvency of a sub-custodian or securities depository; and the risk that fluctuations in foreign exchange rates will



decrease the investment's value. Foreign/International securities (stocks, bonds, ADR's) are subject to currency risk because fluctuations in the exchange rates between the U.S. dollar and foreign currencies may negatively affect the value of the foreign security. These risk factors are increased when investing in emerging markets.

- ***Income Risk:*** The chance that an underlying fund's income will decline because of falling interest rates.
- ***Inflation Risk:*** Inflation may reduce the purchasing power of stocks and fixed income securities, cause volatility in the markets, and devalue the income on interest-bearing securities.
- ***Interest Rate Risk:*** Prices and yields of fixed income securities (bonds) and equity securities are sensitive to changes in the market level of interest rates. In general, as interest rates rise, the prices of fixed income securities fall, and conversely, as interest rates fall, the prices of these securities rise. Yields on short, intermediate, and long-term fixed income securities are dependent on a variety of factors, including the general conditions of the money and fixed income securities markets, the size of a particular offering, the terms and conditions of the obligation (e.g., maturity, coupon, and call features), and the credit quality and rating of the issue. Fixed income securities with longer maturities tend to have higher yields and are generally subject to potentially greater volatility than obligations with shorter maturities and lower yields.
- ***Leverage Risk:*** Since leverage magnifies both gains and losses, an investment that uses leverage can expose the investor to a greater loss if the investment moves against the investor, than it would have been if the investment had not been leveraged.
- ***Liquidity, Lack of Marketability and Valuation Risks:*** Many investments are subject to the risk that the market for a security or other investment cannot accommodate an order to buy or sell the security or other investment in the desired timeframe, possibly preventing the investor and/or manager from selling these illiquid securities at an advantageous price. This risk includes the risk that legal or contractual restrictions on the resale of a security may affect the investor and/or manager's ability to sell the security when deemed appropriate or necessary. Derivatives and securities involving substantial market and credit risk tend to involve greater liquidity risk. This risk also includes the risk that trading on an exchange may be halted because of market conditions. Clients should understand that many investments including limited partnerships, hedge funds, exchange-traded notes, unit investment trusts, and bonds may lack marketability and may not provide daily or weekly valuations. These investments also may include a "lock-up period", during which a client is unable to access their investment, or may do so, subject to a penalty. There may also be economic conditions that create an environment of illiquidity.

- **Manager Risk:** The chance that poor security or money manager selection will cause the client's portfolio to underperform.
- **Market Risk:** Investments in stocks/equity/fixed income securities are subject to market risks that cause their prices to fluctuate over time (i.e., the possibility that stock prices will decline over short or extended periods). Markets can trade in random or cyclical patterns, and prices can fall over sustained periods of time. The current economic environment also creates enhanced risk of U.S. government intervention in companies or industries that may result in shareholder dilution, depressed share prices, and adverse market reaction.
- **Mortgage-Related and Other Asset-Backed Risk:** The risks of investing in mortgage-related and other asset-backed securities, including interest rate risk, extension risk, and prepayment risk.
- **Operational Risk:** The risk that deficiencies in information systems or internal controls, human errors or management failures will result in investment losses. It also includes the risk of loss due to breakdowns or weaknesses in internal controls and procedures.
- **Reinvestment Risk:** The risk that interest or dividends earned from an investment may not be able to be reinvested in such a way that they earn the same rate of return as the invested funds that generated them.
- **REIT Risk:** Investment in REITs, may be subject to certain risks associated with the direct ownership of real property, including declines in the value of real estate, risks related to general and local economic conditions, overbuilding and increased competition, increases in property taxes and operating expenses and variations in rental income. REITs are dependent upon management skills, are not diversified, and are subject to heavy cash flow dependency, default by borrowers and self liquidation. REITS are also subject to interest rate risks. When interest rates decline, the value of a REIT's investment in fixed-rate obligations can be expected to rise. Conversely, when interest rates rise, the value of a REIT's investment in fixed-rate obligations can be expected to decline. Mortgage REITs may be affected by the quality of any credit extended to them.
- **Small- to Medium-Capitalization Risk:** Companies with small to medium market capitalization may be engaged in business within a narrow geographic region, be less well known to the investment community, and have more volatile share prices. Companies with smaller market capitalization often lack management depth and have narrower market penetrations, less diverse product lines and fewer resources than larger companies. Moreover, the securities of such companies often have less market liquidity and, as a result, their stock prices often react more strongly to changes in the marketplace.



## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Excelsior Capital Advisors, LLC or the integrity of Excelsior's management. Excelsior Capital Advisors, LLC, its management and employees have had no legal or disciplinary events.

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

Kathleen Grace, Principal and Managing Member, is licensed in the state of Florida as an insurance agent in the areas of life, health and variable annuity. Presently, Ms. Grace does not engage in the sale of insurance products but may do so in the future at which time she may charge a fee or receive compensation in the form of insurance commissions, which will be disclosed to a client prior to receipt.

Beginning in 2012, Kathleen Grace serves as Board Member of the Florida Atlantic University Foundation. Ms. Grace receives no compensation and serves in an advisory capacity only to the Florida Atlantic University Foundation.

Beginning in 2009, Kathleen Grace serves on the Advisory Board for the Broward Bank of Commerce. Ms. Grace receives no compensation and serves in an advisory capacity only to the Broward Bank of Commerce.

Beginning in 2007, Kathleen Grace serves as Board Member and Chair of the Investment Committee for the Boca Raton Historical Society. Ms. Grace receives no compensation and serves in an advisory capacity only to the Boca Raton Historical Society.

## **Item 11 – Code of Ethics**

The principals and employees of Excelsior Capital Advisors, LLC are permitted to trade in securities for their personal accounts and as a result may buy and sell the same securities that may be recommended to clients. To avoid any potential conflicts of interest involving personal trades, the Adviser has adopted a Code of Ethics ("Code"), which includes formal insider trading and personal securities transactions policies and procedures. Adviser's Code requires, that employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Comply with applicable provisions of the federal securities laws;
- Place the integrity of the investment profession, the interests of clients, and the interests of Adviser above one's own personal interests;

- Adhere to the fundamental standard that you should not take inappropriate advantage of your position;
- Avoid any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect on yourself and the profession;
- Promote the integrity of, and uphold the rules governing capital markets;
- Maintain and improve your professional competence and strive to maintain and improve the competence of other investment professionals.

In accordance with Section 204-A of the Investment Advisers Act of 1940, Excelsior also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Excelsior or any person associated with Excelsior.

As an employee of Excelsior Capital Advisors, LLC, associated persons may learn confidential information concerning Excelsior and its clients. "Confidential information" generally means all information not publicly available (through the media or public records) and includes, but is not limited to; the composition of client portfolios, certain records, procedures and other proprietary information, and family or personal information.

It is Excelsior's policy that individuals employed by the firm must not disclose, directly or indirectly, any confidential information to anyone other than Excelsior personnel and authorized professional advisors, such as broker/dealers, attorneys, and accountants, who need such information in order to discharge their professional services.

Adviser's Code also requires employees to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide the Adviser with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest.

Excelsior anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Excelsior has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Excelsior, its affiliates and/or clients, directly or indirectly, have a position of interest. Excelsior's employees and persons associated with Excelsior are required to follow Excelsior's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Excelsior and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Excelsior's clients. The Code of

Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Excelsior will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Excelsior's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity.

Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity in a security held or disposed of by a client. Employee trading is continually monitored under the Code of Ethics, and attempts to reasonably prevent conflicts of interest between Excelsior and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Excelsior's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Excelsior will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

Excelsior's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Tabitha LeTourneau Meyerer, CFP® at (561) 353-4440 or via email at [tlm@excelsiorcapitaladvisors.com](mailto:tlm@excelsiorcapitaladvisors.com).

## **Item 12 – Brokerage Practices**

### **Directed Brokerage**

Excelsior may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, Member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Excelsior is independently owned and operated and not affiliated with Schwab. Schwab provides Adviser with access to institutional trading and custody services which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the Adviser's clients' assets are maintained in account at Schwab Institutional, and are not otherwise contingent upon Adviser committing to Schwab any specific amount of business (assets in custody or trading). Schwab's services include brokerage, custody, research,

and access to institutional share class mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For Adviser's client accounts maintained in its custody, Schwab 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 or that settle into Schwab accounts.

### Aggregation of Orders

In the course of providing our services, we (and the investment managers we select to manage a portion of the clients' assets) will execute trades for our clients through broker-dealers. When a client has given us broker discretion, there is no restriction on the brokers we may select to execute client transactions. Our general guiding principle is to trade through broker-dealers who offer the best overall execution under the particular circumstances. With respect to execution, we consider a number of factors, including the actual handling of the order, the ability of the broker-dealer to settle the trade promptly and accurately, the financial standing of the broker-dealer, the ability of the broker-dealer to position stock to facilitate execution, our past experience with similar trades, and other factors which may be unique to a particular order. Based on these judgmental factors, we may trade through broker-dealers that charge fees that are higher than the lowest available fees.

The Adviser may aggregate sales or purchases of securities, commodities, or other investments with similar orders being made simultaneously for other accounts managed by the Adviser, if in the Adviser's reasonable judgment such aggregation shall result in an overall economic benefit to the client, taking into consideration the advantageous selling or purchase price, brokerage commission and other expenses. When recommending or effecting a transaction in a particular security for more than one client account, the Adviser shall allocate such recommendations or transactions among all clients for whom such recommendation is made or transaction is effected on such a basis as the Adviser deems equitable without giving preference to one account over another client account. The client is aware that transactions in a specific security may not be recommended or effected for all client accounts, or affected at the same time, or at the same price.

The third party investment managers we choose may have different principles or policies with respect to execution of trades and selection of brokers. A manager's policies and procedures in this area are among the factors that we will consider in choosing an investment manager. Clients that restrict us to using a particular broker/dealer (or direct us to use a particular broker/dealer) for executing their transactions generally will be unable to participate in aggregated orders and will be precluded from receiving the benefits, if any, of an aggregation which other clients may receive. This may cause the client higher brokerage fees and less favorable prices. We will generally execute aggregated orders for non-directed clients before we execute orders for clients that direct brokerage. We may also execute trades for non-directed

clients through the same broker/dealer as clients with direct brokerage. There may be trade execution conflicts of interest over time devoted to managing any one account and the allocation of investment opportunities among all accounts managed by us. We will attempt to resolve all such conflicts in a manner that is generally fair to all of our clients.

We are not obligated to acquire, for any account, any security that we or our officers, partners, members or employees may acquire for their own accounts or for the account of any other client, if in our absolute discretion it is not practical or desirable to acquire a position in such security.

### **Research & Soft Dollar Benefits**

Schwab also makes available to Adviser other products and services that benefit Adviser but may not directly benefit its clients' accounts. Some of these other products and services assist Adviser in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations 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 Adviser'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 Adviser's accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional also makes available to Adviser other services intended to help Adviser 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, Schwab may make available, arrange and/or pay for these types of services rendered to Adviser by independent third parties. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to Adviser. While as a fiduciary, Adviser endeavors to act in its clients' best interests, Adviser's recommendation that clients maintain their account at Schwab may be based in part on the benefit to Adviser 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, which may create a potential conflict of interest. Soft dollar benefits are not limited to those clients who may have generated a particular benefit although certain soft dollar allocations are connected to particular clients or groups of clients. At this time, soft dollar benefits, if any, are currently used for the benefit of search, selection, and due diligence, qualitative and quantitative investment manager research and information.

### **Item 13 – Review of Accounts**

Client accounts are reviewed on a periodic basis predicated on the individualized needs of the client, but no less frequently than annually. The reviews are conducted by the investment professional responsible for the account, in association with the client. There is no minimum number of accounts assigned to each reviewer. Excelsior makes no representation with respect to legal or tax matters, and it is the client's responsibility to consult with legal or tax counsel as necessary. Excelsior is not responsible if a transaction(s) in a client portfolio results in a tax consequence of any kind.

Some events which may cause account reviews more frequently may be; specific client request, change in client's goals and objectives, tax laws, changes in the economy, and imbalance of portfolio asset allocation.

Investment performance will be monitored and the client may receive quarterly or at other times the following management reports:

- Portfolio performance results over the last quarter, year-to-date, past twelve month period, if applicable
- Performance results of each individual manager annually
- Performance results of some comparative benchmarks for the same periods
- Any recommendations for changes to the above

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

Excelsior Capital Advisors, LLC does not receive an economic benefit for any referrals made to a third party that provides advice, services, or products to a client of Excelsior.

The Adviser may compensate third party consultants for referring prospective advisory clients. Such consultants are paid referral fees, which are negotiated on a consultant-by-consultant basis. The Adviser's payment of a referral does not affect the fees paid by any new advisory client. Each consultant agrees that such referral arrangement will conform to Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended, including that such referral arrangement is disclosed to prospective advisory clients and investors.

### **Item 15 – Custody**

Excelsior Capital Advisors, LLC does not maintain custody of any client assets. Clients will receive account statements directly from the custodian, broker dealer, bank or other custodian that holds and maintains client's assets. Excelsior Capital Advisors, LLC urges you to carefully review any and all statements and compare such official custodial records to the reports that we

may provide to you. Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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

Excelsior Capital Advisors, LLC receives discretionary authority from the client at the onset of an advisory relationship, and is responsible for selecting the identity and amount of securities to be bought or sold. The only limitations on the investment authority will be those limitations imposed in writing by the client. If at anytime the Adviser or investment manager is unable to adhere to the client's guidelines and/or restrictions, the client will be notified promptly, whereby the client and Adviser will then mutually determine to forego restrictions or terminate the relationship with the third party manager and/or Investment Adviser. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting securities and determining amounts, Excelsior observes the investment policies, limitations and restrictions of the clients for which it advises. If Excelsior retains an investment manager for the client, we reserve discretion to hire and terminate the investment manager on our client's behalf. The only limitations on the investment authority will be those limitations imposed in writing by the client and agreed upon by the Adviser. For the investment managers that we select to manage client assets, clients should review their disclosure document(s) for more information on their policy with regard to investment or brokerage discretion.

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

As a matter of firm policy and practice, Excelsior Capital Advisors, LLC does not have any authority to and does not vote (by proxy or otherwise) in any matter for which a client vote is solicited by, or with respect to, issuers of securities beneficially held in the client's account. Clients will receive all proxy/class action notifications, solicitations, information directly from their custodian, issuer, or transfer agent. With regard to all other matters for which client action is required or solicited with respect to securities beneficially held by the client's account such as (i) all matters relating to class actions, including without limitation, matters relating to opting in or opting out of a class and approval of class settlements and (ii) bankruptcies or reorganizations), Adviser affirmatively disclaims responsibility for voting (by proxies or otherwise) on such matters and will not take any action with regard to such matters. Excelsior Capital Advisors, LLC may provide information or advice to clients regarding the clients' voting of proxies or class actions.

The proxy voting policies of separate accounts managers that may be recommended to clients may differ from Adviser's and clients are encouraged to review the Form ADV Part 2 or other disclosure statements provided by the investment manager.



## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about the financial condition of Excelsior Capital Advisors, LLC. Excelsior Capital Advisors, LLC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of any bankruptcy proceeding.