

**Excelsia, Inc.**  
SEC File Number: 801 – 61798

**ADV Part 2A, Firm Brochure**  
**Dated 2/15/2014**

Contact: Clifford W. Draughn, Chief Compliance Officer  
15 Lake Street, Suite 100  
Savannah, Georgia 31411  
[www.Excelsia.com](http://www.Excelsia.com)  
[www.Draughnpartners.com](http://www.Draughnpartners.com)

**This Brochure provides information about the qualifications and business practices of Excelsia, Inc. (“Excelsia”). If you have any questions about the contents of this Brochure, please contact us at (912) 598-4032 or [Cdraughn@Excelsia.com](mailto:Cdraughn@Excelsia.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Excelsia, Inc. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**

**References herein to Excelsia, Inc. as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

There have been no material changes made to Excelsia's disclosure statement since last year's Annual Amendment filing on March 14, 2013.

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#### Item 4            Advisory Business

- A. Excelsia is a corporation formed on January 27, 2003 in the State of Georgia. Excelsia became registered as an Investment Adviser Firm in February 2003. Excelsia is principally owned by Clifford W. Draughn, Excelsia's Managing Principal.
- B. As discussed below, Excelsia offers to its clients (individuals, business entities, trusts, estates, pension and profit sharing plans and charitable organizations, etc.) with discretionary investment advisory services. Excelsia **does not** hold itself out as providing financial planning, estate planning, or insurance planning services. To the extent specifically requested by a client, Excelsia may provide limited consultation services to its investment management clients on investment and non-investment related matters that are generally ancillary to the investment management process. Any such consultation services, to the extent rendered, shall be rendered exclusively on an unsolicited basis, for which Excelsia shall usually not receive any separate or additional fee.

#### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage Excelsia to provide discretionary investment advisory services on a *fee-only* basis. Excelsia shall charge an annual investment advisory management fee based upon a percentage of the market value of the assets being managed by Excelsia. The investment advisory fee charged shall vary depending upon the market value of assets under management (between 0.60% and 1.00%) in accordance with the fee schedule that is attached to the *Investment Advisory Agreement* between Excelsia and the client, as follows:

<u>Market Value of Portfolio</u>	<u>Annual Fee %</u>
First \$3,000,000	1.00%
Next \$2,000,000	0.80%
More than \$5,000,000	0.60%

Excelsia's annual investment advisory fee shall include investment advisory services. To the extent specifically requested by a client, Excelsia *may provide limited consultation* services to its investment management clients on investment and non-investment related matters that are generally ancillary to the investment management process. Any such consultation services, to the extent rendered, shall be rendered exclusively on an unsolicited basis, for which Excelsia shall usually not receive any separate or additional fee.

#### **REPORTING SERVICES AND AGGREGATE DATA STORAGE**

In addition to the aforementioned services, Excelsia offers investment data storage and periodic comprehensive reporting services which can incorporate all of the client's investment assets, including those investment assets that are not part of the assets managed by Excelsia (the "*Excluded Assets*"). Should the client desire reporting services, the client acknowledges and understands that with respect to the *Excluded Assets*, Excelsia's service is limited to reporting and data storage services only and **does not** include investment management, review, or monitoring services, nor investment

recommendations or advice. As such, the client, and not Excelsia, shall be exclusively responsible for the investment performance of the *Excluded Assets*. In the event the client desires that Excelsia provide investment management services with respect to the *Excluded Assets*, the client may engage Excelsia to do so for a separate and additional fee, which fee shall be between 0.00% and 0.20% of the *Excluded Assets*.

#### **MISCELLANEOUS**

**Please Note: Inverse/Enhanced Market Strategies.** Excelsia may also utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct Excelsia, in writing, not to employ any or all such strategies for his/her/their/its accounts.

**Private Investment Funds.** Excelsia may provide investment advice regarding unaffiliated private investment funds. Excelsia's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of Excelsia calculating its investment advisory fee. Excelsia's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

**Please Note:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Also Note: Valuation.** In the event that Excelsia references private investment funds owned by the client on any supplemental account reports prepared by Excelsia, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided by the fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be **significantly more or less** than the original purchase price.

**Client Obligations.** In performing its services, Excelsia shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify Excelsia if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Excelsia's previous recommendations and/or services.

**Disclosure Statement.** A copy of Excelsia's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement*.

- C. Excelsia shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, Excelsia shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on Excelsia's services.
- D. Excelsia does not participate in a wrap fee program.
- E. As of December 31, 2013, Excelsia had \$145,480,600 in assets under management on a discretionary basis and \$2,198,500 in assets under management on a non-discretionary basis.

## **Item 5            Fees and Compensation**

- A. The client can determine to engage Excelsia to provide discretionary investment advisory services on a *fee-only* basis.

### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage Excelsia to provide discretionary investment advisory services on a *fee-only* basis. Excelsia shall charge an annual investment advisory management fee based upon a percentage of the market value of the assets being managed by Excelsia. The investment advisory fee charged shall vary depending upon the market value of assets under management (between 0.60% and 1.00%) in accordance with the fee schedule that is attached to the *Investment Advisory Agreement* between Excelsia and the client, as follows:

<u>Market Value of Portfolio</u>	<u>Annual Fee %</u>
First \$3,000,000	1.00%
Next \$2,000,000	0.80%
More than \$5,000,000	0.60%

To the extent specifically requested by a client, Excelsia *may provide limited* consultation services to its investment management clients on investment and non-investment related matters that are generally ancillary to the investment management process. Any such consultation services, to the extent rendered, shall be rendered exclusively on an unsolicited basis, for which Excelsia shall usually not receive any separate or additional fee

### **REPORTING SERVICES AND AGGREGATE DATA STORAGE**

In addition to the aforementioned services, Excelsia offers investment data storage and periodic comprehensive reporting services which can incorporate all of the client's investment assets," including those investment assets that are not part of the assets managed by Excelsia (the "*Excluded Assets*"). Should the client desire reporting services, the client acknowledges and understands that with respect to the *Excluded Assets*,

Excelsia's service is limited to reporting and data storage services only and **does not** include investment management, review, or monitoring services, nor investment recommendations or advice. As such, the client, and not Excelsia, shall be exclusively responsible for the investment performance of the *Excluded Assets*. In the event the client desires that Excelsia provide investment management services with respect to the *Excluded Assets*, the client may engage Excelsia to do so for a separate and additional fee, which fee shall be between 0.00% and 0.20% of the *Excluded Assets*.

- B. Both Excelsia's *Investment Advisory Agreement* and the custodial clearing agreement may authorize the custodian to debit the account for the amount of Excelsia's investment advisory fee and to directly remit that management fee to Excelsia in compliance with regulatory procedures. In the limited event that Excelsia bills the client directly, payment is due upon receipt of Excelsia's invoice.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, Excelsia shall generally recommend that Pershing, LLC ("*Pershing*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Pershing* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions. In addition to Excelsia's investment management fee, brokerage commissions and/or transaction fees, the client will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

**Tradeaway/Prime Broker Fees.** Relative to its discretionary investment management services, when beneficial to the client, individual fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate "tradeaway" and/or prime broker fee charged by the account custodian (*Pershing*).

- D. Excelsia's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The *Investment Advisory Agreement* between Excelsia and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, Excelsia shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.
- E. Neither Excelsia, nor its representatives, accept compensation from the sale of securities or other investment products.

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

Neither Excelsia, nor any supervised person of Excelsia, accepts performance-based fees.

## Item 7           Types of Clients

Excelsia's clients shall generally include individuals, business entities, trusts, estates, pension and profit sharing plans and charitable organizations. Excelsia does not generally impose a minimum fee or asset level for investment management services. Excelsia, in its sole discretion, may charge a lesser management based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, type of services required, account composition, negotiations with client).

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

A. Excelsia may utilize the following methods of security analysis:

- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

Excelsia may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Margin Transactions (use of borrowed assets to purchase financial instruments)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Excelsia) will be profitable or equal any specific performance level(s).

B. Excelsia's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis Excelsia must have access to current/new market information. Excelsia has no control over the dissemination rate of market information; therefore, unbeknownst to Excelsia, certain analyses may be compiled with outdated market information, severely limiting the value of Excelsia's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Excelsia's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop.

Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, Excelsia may also implement and/or recommend – use of margin and/or options transactions; each of these strategies has a high level of inherent risk. (*See discussion below*).

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. **Please note:** To the extent that a client authorizes the use of margin, and margin is thereafter employed by Excelsia in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to Excelsia may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential ***conflict of interest*** whereby the client's decision to employ margin shall correspondingly increase the management fee payable to Excelsia. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by Excelsia shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by Excelsia is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct Excelsia, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. Currently, Excelsia primarily allocates client investment assets among various individual equity (stocks), debt (bonds) and fixed income securities, mutual funds and/or exchange traded funds ("ETFs") (including inverse ETFs and/or mutual funds that are designed to perform in an inverse relationship to certain market indices), and options (including, but not limited to, equity collars, covered calls and other strategies designed to manage risk), in accordance with the client's designated investment objective (i.e., conservative, moderate, or growth) as set forth in the Investment Policy Statement.

As disclosed above, Excelsia may also utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship



to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct Excelsia, in writing, not to employ any or all such strategies for his/her/their/its accounts.

## **Item 9            Disciplinary Information**

Excelsia has not been the subject of any disciplinary actions.

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

- A. Neither Excelsia, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither Excelsia, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. Excelsia has no other relationship or arrangement with a related person that is material to its advisory business.
- D. Excelsia does not recommend or select other investment advisors for its clients.

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

- A. Excelsia maintains an investment policy relative to personal securities transactions. This investment policy is part of Excelsia's overall Code of Ethics, which serves to establish a standard of business conduct for all of Excelsia's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

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

- B. Neither Excelsia nor any related person of Excelsia recommends, buys, or sells for client accounts, securities in which Excelsia or any related person of Excelsia has a material financial interest.
- C. Excelsia and/or representatives of Excelsia *may* buy or sell securities that are also recommended to clients. This practice may create a situation where Excelsia and/or representatives of Excelsia are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of

interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Excelsia did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of Excelsia’s clients) and other potentially abusive practices.

Excelsia has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Excelsia’s “Access Persons”. Excelsia’s securities transaction policy requires that an Access Person of Excelsia must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date Excelsia selects; provided, however that at any time that Excelsia has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. Excelsia and/or representatives of Excelsia *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Excelsia and/or representatives of Excelsia are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, Excelsia has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Excelsia’s Access Persons.

## **Item 12      Brokerage Practices**

- A. In the event that the client requests that Excelsia recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Excelsia to use a specific broker-dealer/custodian), Excelsia generally recommends that investment management accounts be maintained at *Pershing*. Prior to engaging Excelsia to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Excelsia setting forth the terms and conditions under which Excelsia shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Excelsia considers in recommending *Pershing* (or another broker-dealer/custodian, investment platform and/or mutual fund sponsor) include historical relationship with Excelsia, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Excelsia's clients shall comply with Excelsia's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Excelsia determines, in good faith, that the commission/transaction fee is reasonable. 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 broker-dealer’s services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Excelsia will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account

transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Excelsia's investment management fee. Excelsia's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Support Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Excelsia may receive from *Pershing* (or another broker-dealer/custodian, investment platform and/or mutual fund sponsor, support services (including financial support) and/or products without cost (and/or at a discount), certain of which assists Excelsia to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Excelsia may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Excelsia in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that may be received assist Excelsia in managing and administering client accounts. However, other support that Excelsia receives does not provide such assistance, but rather may assist Excelsia to manage and further develop its business enterprise.

There is no corresponding commitment made by Excelsia to *Pershing* (or any other entity) to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**Excelsia's Chief Compliance Officer, Clifford W. Draughn, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

2. Excelsia does not receive referrals from broker-dealers.
3. Excelsia does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Excelsia will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Excelsia. As a result, 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.

**Please Note:** In the event that the client directs Excelsia to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur

higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Excelsia.

**Excelsia's Chief Compliance Officer, Clifford W. Draughn, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that Excelsia provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Excelsia decides to purchase or sell the same securities for several clients at approximately the same time. Excelsia may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Excelsia'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 be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Excelsia shall not receive any additional compensation or remuneration as a result of such aggregation.

### **Item 13      Review of Accounts**

- A. For those clients to whom Excelsia provides investment supervisory services, account reviews are conducted on an ongoing basis by Excelsia's Principals and/or representatives. All clients are advised that it remains their responsibility to advise Excelsia of any changes in their investment objectives and/or financial situation. All clients (in person or telephonically) are encouraged to review investment objectives and account performance with Excelsia on at least an annual basis.
- B. Excelsia *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Excelsia may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A.1 above, Excelsia may receive an indirect economic benefit from *Pershing*. Excelsia, without cost (and/or at a discount), may receive support services and/or products from *Pershing*.

Excelsia's clients do not pay more for investment transactions effected and/or assets maintained at *Pershing* as a result of this arrangement. There is no corresponding commitment made by Excelsia to *Pershing* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**Excelsia's Chief Compliance Officer, Clifford W. Draughn, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. If a client is introduced to Excelsia by either an unaffiliated or an affiliated solicitor, Excelsia *may* pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Excelsia's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to Excelsia by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of Excelsia's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between Excelsia and the solicitor, including the compensation to be received by the solicitor from Excelsia.

## **Item 15           Custody**

Excelsia shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Excelsia may also provide a written periodic report summarizing account activity and performance.

**Please Note:** To the extent that Excelsia provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Excelsia with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of Excelsia's advisory fee calculation.

## **Item 16           Investment Discretion**

The client can determine to engage Excelsia to provide investment advisory services on a discretionary basis. Prior to Excelsia assuming discretionary authority over a client's account, the client shall be required to execute *Investment Advisory Agreement*, naming Excelsia as the client's attorney and agent in fact, granting Excelsia full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage Excelsia on a discretionary basis may, at anytime, impose restrictions, **in writing**, on Excelsia's discretionary authority. (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe Excelsia's use of margin, etc.).

## **Item 17          Voting Client Securities**

Unless Excelsia agrees otherwise, in writing, the client shall be responsible for voting proxies. Should Excelsia agree to vote proxies, absent mitigating circumstances and/or conflicts of interest (to the extent any such circumstance or conflict is presented, if ever, information pertaining to how Excelsia addressed any such circumstance or conflict shall be maintained by Excelsia), it is Excelsia's general policy to vote proxies consistent with the recommendation of the senior management of the issuer. Excelsia shall monitor corporate actions of individual issuers and investment companies consistent with Excelsia's fiduciary duty to vote proxies in the best interests of its clients. With respect to individual issuers, Excelsia may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), Excelsia may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. Excelsia shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2(c)(2) under the Advisers Act. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how Excelsia voted on any specific proxy issue is also available upon written request.

## **Item 18          Financial Information**

- A. Excelsia does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. Excelsia is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. Excelsia has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: Excelsia's Chief Compliance Officer, Clifford W. Draughn, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**