

OATH OR AFFIRMATION

I, ERNST J. RIEDL, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of EXCEL SECURITIES & ASSOCIATES, INC as of DECEMBER 31, 2006, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

NONE

Ernst J. Riedl
Signature

CPA
Title

NANCY T. HERENDEEN
NOTARY PUBLIC, State of New York
No. 01HE6056284
Ontario County, New York
Commission Expires March 19, 2007

Nancy T. Herenden
Notary Public



This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

ERNST J. RIEDL, CPA

331 EAST AVENUE
MACEDON NY 14502

Telephone 315-986-4555
Fax 315-986-2994

INDEPENDENT AUDITOR'S REPORT

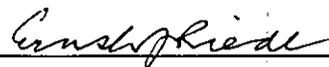
Excel Securities & Associates, Inc.
200 Canal View Blvd
Suite 204
Rochester, New York 14623

I have audited the accompanying statements of financial condition of Excel Securities & Associates, Inc. as of December 31, 2006 and 2005 and the related statements of income, cash flows and changes in equity capital for the years then ended. These financial statements are the responsibility of the firm's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Excel Securities & Associates, Inc. as of December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

February 19, 2007



EXCEL SECURITIES & ASSOCIATES, INC.
STATEMENTS OF FINANCIAL CONDITION
AS OF DECEMBER 31, 2006 AND 2005

| | 2006 | 2005 |
|--|------------|------------|
| <u>ASSETS</u> | | |
| <u>Current Assets:</u> | | |
| Cash | \$ 361,850 | \$ 201,871 |
| Receivables from Brokers and Dealers - Others | 90,000 | 75,000 |
| Total Current Assets | 451,850 | 276,871 |
| <u>Securities Owned (At Market Value):</u> | | |
| Exempted Marketable Securities | 85,378 | 52,498 |
| Exempted Not Marketable Securities | 0 | 28,144 |
| Total Securities Owned | 85,378 | 80,642 |
| <u>Property, Furniture and Equipment:</u> | | |
| Furniture and Office Equipment | 244,647 | 230,580 |
| Less, Accumulated Depreciation | 151,376 | 130,279 |
| Net | 93,271 | 100,301 |
| <u>Other Assets:</u> | | |
| Rent Deposits | 3,766 | 4,166 |
| Prepaid Expenses | 57,419 | 69,366 |
| Prepaid Income Taxes | 12,147 | 9,270 |
| Shareholder Loan | 26,000 | 26,000 |
| Total Other Assets | 99,332 | 108,802 |
| Total | \$ 729,831 | \$ 566,616 |
| <u>LIABILITIES AND EQUITY CAPITAL</u> | | |
| <u>Current Liabilities:</u> | | |
| Accounts Payable and Accrued Expenses | \$ 314,720 | \$ 206,783 |
| Total Current Liabilities | 314,720 | 206,783 |
| Deferred Income Tax Liability | 27,860 | 14,942 |
| Total Liabilities | 342,580 | 221,725 |
| <u>Equity Capital:</u> | | |
| Capital Stock | 105,823 | 105,823 |
| Paid in Capital | 91,600 | 91,600 |
| Retained Earnings | 189,828 | 147,468 |
| Total Equity | 387,251 | 344,891 |
| Total | \$ 729,831 | \$ 566,616 |

The accompanying notes to the financial statements are an integral part of these statements.

EXCEL SECURITIES & ASSOCIATES, INC.
 STATEMENTS OF INCOME
 FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

| | 2006 | 2005 |
|--|------------|------------|
| | ----- | ----- |
| <u>Revenue:</u> | | |
| Commissions on Transactions in Exchange Listed Equity Securities Executed On An Exchange | \$ 597,147 | \$ 439,729 |
| Commissions on Listed Option Transactions | 23,885 | 20,697 |
| All Other Securities Commissions | 573,260 | 428,945 |
| | ----- | ----- |
| Total Securities Commissions | 1,194,292 | 889,371 |
| Revenue From Sale of Investment Company Shares | 606,348 | 846,427 |
| Fees for Account Supervision, Investment Advice and Administration | 1,887,669 | 274,750 |
| Gain on Firm Securities Investment Accounts | 36,705 | 19,417 |
| Revenue From Sale of Insurance Products | 29,887 | 65,457 |
| Reimbursement of Expenses | 31,579 | 23,386 |
| | ----- | ----- |
| Total | 3,786,480 | 2,118,808 |
| | ----- | ----- |
| <u>Expenses:</u> | | |
| Officer's Compensation | 274,000 | 143,000 |
| Other Employees' Compensation and Benefits | 1,056,425 | 924,505 |
| Commissions Paid to Other Broker Dealers | 358,888 | 168,429 |
| Regulatory Fees and Expenses | 31,919 | 21,409 |
| Settlement of Customers' Claims | 89,646 | 0 |
| Depreciation | 21,097 | 20,380 |
| Other Expenses | 1,891,104 | 690,527 |
| | ----- | ----- |
| Total | 3,723,079 | 1,968,250 |
| | ----- | ----- |
| <u>Net Income Before Income Taxes</u> | 63,401 | 150,558 |
| Income Taxes | 21,141 | 32,320 |
| | ----- | ----- |
| <u>Net Income</u> | \$ 42,260 | \$ 118,238 |
| | ===== | ===== |

The accompanying notes to the financial statements are an integral part of these statements.

EXCEL SECURITIES & ASSOCIATES, INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

| | 2006 | 2005 |
|--|----------------|----------------|
| <u>Cash Flows From Operating Activities:</u> | | |
| Net Income | \$ 42,360 | \$ 118,238 |
| Non-Cash Expenses or (Income): | | |
| Depreciation and Amortization | 21,097 | 20,380 |
| Gains from Securities Owned | (36,705) | (19,417) |
| Deferred Tax Liability | 12,918 | 14,942 |
| Increase or (Decrease) in Cash Resulting from Changes in the following Operational Assets and Liabilities: | | |
| Accounts Receivable | (15,000) | (43,286) |
| Deposits and Prepayments | 12,347 | (63,768) |
| Accounts Payable and Accrued Expenses | 107,937 | 141,485 |
| Prepaid or Accrued Income Taxes | (2,877) | (28,456) |
| Deferred Income (Net) | 0 | (5,556) |
| Total | 142,077 | 134,562 |
| <u>Cash Flows From Investing Activities:</u> | | |
| Sales or (Purchases) of Securities Owned (Net) | 31,969 | 22,114 |
| Purchases of Equipment | (14,067) | (98,531) |
| Total | 17,902 | (76,417) |
| <u>Cash Flows From Financing Activities:</u> | | |
| Loans from Shareholder | 0 | 5,000 |
| Total | 0 | 5,000 |
| <u>Increase in Cash</u> | 159,979 | 63,145 |
| Cash Balance - Beginning of Year | 201,871 | 138,726 |
| <u>Cash Balance - End of Year</u> | \$ 361,850 | \$ 201,871 |
| | ===== | ===== |
| <u>Supplementary Information:</u> | | |
| Interest Paid | \$ 0 | \$ 0 |
| | ===== | ===== |
| Income Taxes Paid | \$ 11,101 | \$ 38,693 |
| | ===== | ===== |

The accompanying notes to the financial statements are an integral part of these statements.

EXCEL SECURITIES & ASSOCIATES, INC.
STATEMENTS OF CHANGES IN EQUITY CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

| | 2006 | 2005 |
|--|------------|------------|
| | ----- | ----- |
| <u>Beginning Balance</u> | \$ 344,891 | \$ 226,653 |
| Additions: | | |
| Net Income for Period | 42,360 | 118,238 |
| | ----- | ----- |
| Total | 387,251 | 344,891 |
| Deductions: | | |
| None | 0 | 0 |
| | ----- | ----- |
| <u>Ending Balance - Equity Capital</u> | \$ 387,251 | \$ 344,891 |
| | ===== | ===== |

The accompanying notes to the financial statements are an integral part of these statements.

EXCEL SECURITIES & ASSOCIATES, INC.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES AND OTHER INFORMATION

Excel Securities (the firm or Excel) was formed as a sole proprietorship by Mr. Joseph Lanzisera in November 1985. In January 1998 the business was incorporated as Excel Securities & Associates, Inc.

The following is a brief description of the accounting policies employed by Excel Securities & Associates, Inc.

The financial statements and books are kept on the accrual basis of accounting.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue is derived from commissions received from security transactions made on behalf of customers with security firms and various mutual funds. Excel does not carry customer's accounts, nor holds securities for customers. Revenue is also derived from account supervision and from advisory and administration fees.

The firm's furniture and office equipment is stated at cost less accumulated depreciation. Depreciation is computed by accelerated rates allowed for income tax purposes except that the firm does not use the first year write offs (Section 179) for financial reporting.

The firm's investments in marketable securities are carried at market values. For income tax purposes gains and losses from the sale of these securities are calculated using the cost basis.

Deferred taxes or tax benefits are provided on temporary differences arising from assets and liabilities whose bases are different for financial reporting and income tax purposes.

Certain reclassifications have been made to the financial statements for the year 2005 to conform with the current year's presentation.

2. CASH

The cash balances are held in one commercial bank and in interest bearing accounts with one security firm which includes a required reserve of \$25,000.

3. SECURITIES OWNED

Securities owned by the firm are carried at market values for financial reporting and gains and losses are reported on a mark-to-market basis. The marketable securities had an aggregate market value of \$85,378 at December 31, 2006 and a market value of \$80,642 at December 31, 2005 which amount included non-marketable investments valued at \$28,144.

4. REVENUE

The firm does not keep separate accounts for the classification of the commissions earned from security transactions, except for commissions earned from the sale of investment company shares. The classification used on Exhibit "B" is an approximation ascertained from an analysis made by management.

5. LEASE OBLIGATIONS

The firm leases its office space under a non-cancelable lease expiring in October 2012. As of December 31, 2006 future minimum lease payments totaled \$199,314. The firm leases an electronic document filing system from Xerographic Solutions. Lease payments are \$433 per month for a period of 60 months, which started April 2001.

6. INCOME TAXES

The firm's deferred tax liability amounted to \$27,860 at December 31, 2006 and \$14,942 at December 31, 2005. This deferred liability is due to differences in financial reporting for depreciation and accelerated depreciation used for income tax purposes.

7. RELATED PARTY TRANSACTIONS

Through December 31, 2006 the sole shareholder had made an interest free cash loan of \$26,000.

8. SETTLEMENT OF LAW SUITS

In year 2006 the firm settled two malpractice claims totaling \$89,646.

ERNST J. RIEDL, CPA

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**INDEPENDENT AUDITOR'S REPORT
ADDITIONAL INFORMATION**

Excel Securities & Associates, Inc.
200 Canal View Blvd
Suite 204
Rochester, New York 14623

My report on the examination of the basic financial statements of Excel Securities & Associates, Inc. for the years ended December 31, 2006 and 2005 appears on page 3. These audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information contained in Exhibits "E" through "H" has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

February 19, 2007



EXCEL SECURITIES & ASSOCIATES, INC.
STATEMENTS OF CHANGES IN LIABILITIES
SUBORDINATED TO CLAIMS OF CREDITORS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

| | 2006 | 2005 |
|-------------------------------------|-------|-------|
| | ----- | ----- |
| <u>Balance, Beginning of Period</u> | \$ 0 | \$ 0 |
| Increases | 0 | 0 |
| Decreases | 0 | 0 |
| <u>Balance, End of Period</u> | \$ 0 | \$ 0 |
| | ===== | ===== |

EXCEL SECURITIES & ASSOCIATES, INC.
 COMPUTATION OF NET CAPITAL
 AS OF DECEMBER 31, 2006 AND 2005

| | 2006 | 2005 |
|--|------------|------------|
| | ----- | ----- |
| <u>Total Ownership Equity</u> | \$ 387,251 | \$ 344,891 |
| Deduct, Ownership Equity Not Allowable for Net Capital | 0 | 0 |
| | ----- | ----- |
| Total Ownership Equity Qualified For Net Capital | 387,251 | 344,891 |
| Add, Liabilities Subordinated to Claims of General Creditors Allowable in Computation of Net Capital | 0 | 0 |
| | ----- | ----- |
| Total Capital and Allowable Subordinated Liabilities | 387,251 | 344,891 |
| Deduct: Non-Allowable Assets (Net Book Value of Furniture and Office Equipment and Other Assets) | 192,603 | 209,103 |
| Securities and Investments not Readily Marketable | 0 | 28,144 |
| | ----- | ----- |
| Total Non-Allowable Assets | 192,603 | 237,247 |
| | ----- | ----- |
| Net Capital Before Haircuts on Security Positions | 194,648 | 107,644 |
| Haircuts on Proprietary Security Positions | 12,807 | 7,875 |
| | ----- | ----- |
| <u>Net Capital</u> | \$ 181,841 | \$ 99,769 |
| | ===== | ===== |

EXCEL SECURITIES & ASSOCIATES, INC.
 RECONCILIATION OF COMPUTATION OF NET CAPITAL
 AS OF DECEMBER 31, 2006 UNAUDITED FORM X-17A-5
 WITH AUDITED FINANCIAL STATEMENT

| | Unaudited Per Form X 17A 5 | Per Audit Report | Difference | Explanation |
|---|----------------------------------|---------------------|-------------|-------------|
| <u>Total Ownership Equity</u> | \$ 436,504 | \$ 387,251 | \$ (49,253) | |
| Deduct, Ownership Equity Not Allowable for Net Capital | 0 | 0 | 0 | |
| <u>Total Ownership Equity Qualified for Net Capital</u> | 436,504 | 387,251 | (49,253) | (A) below |
| Add, Liabilities Subordinated to Claims of General Creditors Allowable in Computation of Net Capital | 0 | 0 | 0 | |
| <u>Total Capital and Subordinated Liabilities</u> | 436,504 | 387,251 | (49,253) | |
| Deduct: Non-Allowable Assets: | | | | |
| Net Book Value of Furniture and Office Office Equipment and other Assets | 213,997 | 192,603 | (21,394) | (B) below |
| Securities and Investments not Readily Marketable | 0 | 0 | 0 | |
| <u>Total Non-Allowable Assets</u> | 213,997 | 192,603 | 0 (21,394) | |
| <u>Net Capital Before Haircuts and Security Positions</u> | 222,507 | 194,648 | (27,859) | Net effect |
| Haircuts on Proprietary Security Positions | 12,807 | 12,807 | 0 | |
| <u>Net Capital</u> | \$ 209,700 | \$ 181,841 | \$ (27,859) | |

Explanation of Auditor's Adjustments:

| | | |
|-----|---|-------------|
| (A) | 1) Increase in depreciation expense | \$ (20,010) |
| | 3) Increase in provision for income taxes | (15,712) |
| | 4) Write off of prepaid expenses | (13,531) |
| | <u>Total</u> | \$ (49,253) |
| | | ===== |
| (B) | 1) Increase in depreciation expense | \$ (20,010) |
| | 2) Increase in prepaid expenses | (1,384) |
| | <u>Total</u> | \$ (21,394) |
| | | ===== |

EXCEL SECURITIES & ASSOCIATES, INC.
 RECONCILIATION OF UNAUDITED STATEMENT OF
 FINANCIAL CONDITION AT DECEMBER 31, 2006
 WITH AUDITED FINANCIAL STATEMENTS

| | Per Form X 17A 5 | Per Audit Report | Difference | Explanation |
|---|---------------------|---------------------|-----------------|-------------|
| ASSETS | | | | |
| Cash | \$ 361,850 | \$ 361,850 | \$ 0 | |
| Receivables from Brokers | 90,000 | 90,000 | 0 | |
| Receivable from Stockholder | 26,000 | 26,000 | 0 | |
| Other Securities | 85,378 | 85,378 | 0 | |
| Property, Furniture and Fixtures (Net) | 113,281 | 93,271 | (20,010) | (1) |
| Other Assets | 74,716 | 73,332 | (1,384) | (2) |
| | <u>751,225</u> | <u>729,831</u> | <u>(21,394)</u> | |
| Total | \$ 751,225 | \$ 729,831 | \$ (21,394) | |
| LIABILITIES AND OWNERSHIP EQUITY | | | | |
| Accounts Payable and Accrued Expenses | \$ 314,721 | \$ 314,720 | \$ (1) | Rounding |
| Deferred Income Taxes | 0 | 27,860 | 27,860 | (3) |
| | <u>314,721</u> | <u>342,580</u> | <u>27,859</u> | |
| Total Liabilities | | | | |
| Ownership Equity: | | | | |
| Common Stock | 436,504 | 105,823 | (330,681) | |
| Additional Paid in Capital | 0 | 91,600 | 91,600 | |
| Retained Earnings | 0 | 189,828 | 189,828 | |
| | <u>436,504</u> | <u>387,251</u> | <u>(49,253)</u> | Net Effect |
| Total | \$ 751,225 | \$ 729,831 | \$ (21,394) | |

- (1) Additional depreciation
 (2) Increase in prepaid expenses
 (3) Additional tax expense

EXHIBIT J

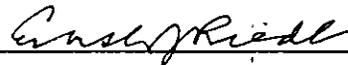
ERNST J. RIEDL, CPA
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Excel Securities & Associates, Inc.
200 Canal View Blvd,
Suite 204
Rochester, New York 14623

My examination of the financial statements of Excel Securities & Associates, Inc. for the year ended December 31, 2006 did not disclose any material inadequacies that may exist or may have existed since the date of the previous audit of Excel Securities & Associates, Inc for the year ended December 31, 2005.

February 19, 2007



OATH OF AFFIRMATION

I, JOSEPH LANZISERA, swear (of affirm) that, to the best of my knowledge and belief, the Accompanying financial statements and supporting schedules pertaining to the firm of Excel Securities & Associates, Inc., as of December 31, 2006, are true and correct. I further swear (or Affirm) that neither the company, nor any partner, proprietor, principal officer or director has any Proprietary interest in any account classified solely as that of a customer, except as follows:

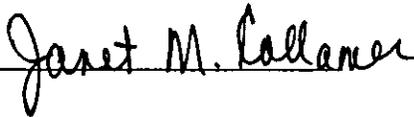
NONE

Signature



Title: President

Notary



JANET M. CALLAMER
Notary Public, State of New York
Monroe County, #4799400
Commission expires 11/31/10

ERNST J. RIEDL, CPA

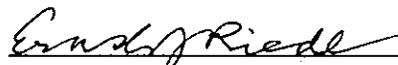
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Excel Securities & Associates, Inc.
200 Canal View Blvd
Suite 204
Rochester, New York 14623

My report dated February 19, 2006 on the audited statement of financial condition of Excel Securities & Associates, Inc. as of December 31, 2006 expressed an unqualified opinion on that statement. A reconciliation of the statement with the statement of financial condition submitted by Excel Securities & Associates, Inc. in its unaudited Focus Report, Form X-17a-5, did not disclose any material differences.

Likewise, my audited statement of the net capital of Excel Securities & Associates, Inc. as of December 31, 2006 did not materially differ from the unaudited statement of net capital reported by Excel Securities & Associates, Inc. on its Focus Report, Form X-17A-5.


Ernst J. Riedl

February 19, 2007