

Excel Securities & Associates, Inc.

Advisory Brochure

December 31, 2011

This brochure provides information about the qualifications and business practices of Excel Securities & Associates. If you have any questions about the contents of this brochure, please contact us at 585-424-1234 or excel@excelsecurities.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 Excel Securities & Associates, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Excel Securities & Associates, Inc.

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Material Changes

There have been no material changes to our Advisory offerings since our annual update for period ending 12/31/2010

Table of Contents

Excel Securities & Associates, Inc.	1
Advisory Business.....	5
History	5
Principal Owners	5
Advisory Services Offered	5
Advisory Program Categories.....	6
Advisory Program Types	6
Tailoring Portfolios.....	7
Portfolio Management Services.....	7
Discretionary -vs- Non-discretionary Managed Assets.....	7
Selection of Manager	7
Fees and Compensation	8
Account Billing	8
Additional Expenses	8
Additional expenses specific to Non-Wrap programs	8
Advisory Fee Adjustments & Refunds.....	9
Additional Compensation	9
Purchases through non affiliated agents	9
Performance – Based Fees.....	10
Types of clients	10
Methods of Analysis.....	10
FB Advisory Program.....	10
MAC Advisory program	10
Asset Allocation Portfolios	10
Advisor Flex Portfolios	11
Disciplinary Information.....	11
Other Financial Industry Activities and Affiliations.....	11
Code of Ethics	12
Brokerage Practices	13
Review of Accounts.....	13
Reports.....	14

Client Referrals and Other Compensation	14
Custody	14
Investment Discretion.....	15

Advisory Business

History

Excel Securities and Associates, Inc. (EXCEL) has been engaged in investment related business since 1978. Since 1985, EXCEL has been a registered Broker Dealer regulated by the National Association of Securities Dealers (NASD), now referred to as Financial Industry National Regulatory Agency (FINRA). In the first fifteen years of the firm's history, the primary lines of business involved commissionable exchange traded securities transactions and products sold by prospectus, such as mutual funds and certain variable insurance products. During the mid to late 1990s, EXCEL began offering fee in lieu of commission brokerage accounts. This development introduced customers to a quarterly fee structure rather than commissions or transaction fees. In the early 2000s, EXCEL made its first Investment Advisor filing with the State of New York. The significance of this event is that it introduced an additional regulator and a different set of rules that needed to be adhered to when conducting Advisory business. In 2007 an industry wide rule change prohibited registered broker dealers from offering services on a fee basis, which initiated a conversion of the fee in lieu of commission business to advisory accounts. This event also triggered a transition from New York State to the Securities & Exchange Commission (SEC) as our Advisory regulator, due to industry guidance relative to the expanded size of our Advisory business. Since that time we have worked diligently to expand our Advisory offerings, and have continuously enhanced our ability to meet the standard of care mandated by the 1940 Investment Advisors Act. Today, our investment advisory business is the fastest growing segment of our business and nearly one of every three dollars of the firm's revenue is derived from investment advisory business. It is important to understand that Excel acts as the Broker Dealer of record for all accounts for which we sponsor advisory programs.

Principal Owners

EXCEL is structured as a New York corporation with Joseph Lanzisera as the principal owner.

Advisory Services Offered

EXCEL currently sponsors two Advisory programs.

- FB Advisory
- MAC

The FB Advisory program is one where an EXCEL representative provides all of the portfolio research, recommendations, transaction processing, and client communication. The FB Advisory program can be structured as a Wrap program or Non-Wrap, as well as Discretionary or Non-Discretionary.

The MAC program employs the services of a third party Advisor, Lockwood Advisors, for research, portfolio allocation, monitoring, transactions, and performance reporting. The MAC Advisory program is only available as a Discretionary Wrap program.

Advisory Program Categories

1. Discretionary

An account that Excel, or its portfolio manager, exercises control over the investment account with respect to the asset mix, investment vehicles, quantity, and timing of investment actions. The basis of investment decisions are rooted in the client's investor profile. The investor profile is derived from client completed questionnaires and personal interviews.

2. Non-Discretionary

EXCEL's Investment Advisor Representatives (IARs) provide investment portfolio recommendations based on the investor profile. The investor profile is derived from client completed questionnaires and personal interviews. The client then authorizes the implementation of the suggested portfolio action prior to any account changes being implemented. This process pertains to both initial portfolio allocation and to subsequent recommended changes.

Before granting discretionary authority over your account(s), clients should thoroughly read this brochure, the brochure of any third party managers being recommended, as well as the brochure supplements of the EXCEL personnel being granted discretionary authority, if any.

Advisory Program Types

1. Wrap Fee Programs

Clients electing a wrap fee program are charged an advisory fee expressed as an annual percent of their account value. These fees are billed quarterly in advance and include the cost of Advisory services, all transaction costs, and performance reporting. In addition to the billed quarterly advisory fee, wrap accounts may encounter additional expenses resulting from the internal expenses of mutual funds and related investment types.

2. Non-Wrap Fee Program

Clients electing a non-wrap fee program are charged an advisory fee expressed as an annual percent of their account value. These fees are billed quarterly in advance and include the cost of Advisory services only. Additional billed expenses will include transaction costs and related regulatory fees, performance reporting fees (if client elects delivery of quarterly reports), and paper surcharges for statements, transaction confirmations (can avoid these charges by electing electronic delivery), and custodial fees for qualified retirement accounts. Potential non-billed

additional expenses can result from the internal expenses of mutual funds and related investment types.

Each of our wrap fee program offerings are more fully described in a separate brochure.

Determining which program category and program type is most appropriate for your needs is best accomplished by analyzing your client profile information with your EXCEL representative. Providing complete and accurate client profile information is essential to this process. Clients should take care to see that they have provided EXCEL all requested information, and that EXCEL is promptly made aware of material changes to the data as they arise.

Tailoring Portfolios

Tailoring portfolios to individual needs can be best accomplished when using non-third party managers. Doing so requires written client authorization and detailed description of the unique needs together with the manager's acceptance of the requested management restraints or portfolio alterations. This applies to imposing restrictions on investing in certain securities or types of securities.

Portfolio Management Services

The methods employed for account management do not differ based on the type of account chosen. Both wrap and non-wrap programs employ the same methods of customer profiling and portfolio selection. The differentiating factor between these two account types is how the cost associated with certain account activities is billed. When using a wrap account, a portion of the fee collected is retained by EXCEL to offset the costs of transaction fees and the delivery of printed performance reports. These costs are billed directly to the client account in a non-wrap program. Because the cost of these items can be variable the client may want to explore the cost effectiveness of each program type.

Certain wrap fee offerings are not available as a non-wrap program due to the use of third party managers for the delivery of management services. For a complete description of our various wrap fee programs please refer to the separate wrap fee program brochures

Discretionary -vs- Non-discretionary Managed Assets

Effective 12/31/2010 EXCEL manages \$50,000,000 on a discretionary basis, and \$37,600,000 on a Non-discretionary basis.

Selection of Manager

The various Advisory offerings available through EXCEL require the selection of an account manager. The account manager is either the Investment Advisor Representative who has the relationship with the client, or a third-party manager selected with the assistance of the Investment Advisor Representative from a list of approved managers made available by EXCEL.

Fees and Compensation

EXCEL collects fees from all advisory customers expressed as an annual percentage of client assets and billed quarterly in advance. Fees charged will vary depending on the program category, program type, and the value of the account.

Maximum Advisory Fee

Household Asset Level	FB Advisory	FB Advisory	MAC
	Non-Wrap Advisory Account	Wrap Advisory account	Wrap Advisory Account Only offered as Discretionary Account
First \$500,000	2%	2.25%	1.9%
Next \$500,000	2%	2.25%	1.8%
Next \$4,000,000	2%	2.25%	1.7%
Over \$5,000,000	2%	2.25%	1.5%

These fees are negotiable

Account Billing

Advisory fees are deducted from client accounts each calendar quarter in advance. Clients are not able to elect an alternate billing method.

Additional Expenses

Across all Advisory account programs we offer, clients may encounter additional expenses in the form of internal mutual fund expenses. These are fees charged by mutual fund companies imbedded in the share price of the mutual fund being purchased. These expenses are not apparent and can have a material effect on the performance results of the shares. Other sources of additional expense would be fees for special services such as, but not limited to, overnight fees for check delivery, or additional fees for special statement generation.

Additional expenses specific to Non-Wrap programs

- Advisory clients electing Non-wrap programs will incur brokerage transaction costs as per the table below.

Type of Transaction	Transaction Charge
Stocks & ETFs	\$25 plus \$.01 per share
Options	\$25 plus \$1 per contract
Mutual Fund (exchange)	\$5 per ticket
All other transactions	\$25 per ticket

- Effective June 1, 2011 Non-Wrap accounts will be subject to paper delivery surcharges. For each statement and/or confirmation printed and mailed to the client, there will be a 75 cent fee imposed. Clients can avoid this fee by enrolling in electronic delivery of these documents.
- Clients can elect to pay \$6.25 per month for the delivery of quarterly printed performance reports. Alternatively, the performance of the account is calculated and maintained on the account screen of the client account.

Each of EXCEL's advisory program accounts have access to our clearing firm's no fee mutual fund platform called Fund Vest. This program allows client accounts to buy, sell, and exchange over 3800 load and no load mutual funds without incurring any transaction fees. Purchases must meet a minimum dollar threshold of \$2500, and a holding period of three months to be eligible for the fee waiver.

Advisory Fee Adjustments & Refunds

In the event an Advisory account has aggregate deposits or withdrawals in excess of \$5000, appropriate pro rata fee adjustments will be made to the fee upon the next regular quarterly billing cycle. In the event an advisory account terminates during the quarter, any remaining unused advisory fees will be calculated and returned to the client account. This will be done by dividing the total fee charged by the number of days in the calendar quarter to determine a per-day rate. The per-day rate will be multiplied by the remaining days in the calendar quarter from the day of termination through the end of the calendar quarter.

Additional Compensation

Certain mutual fund companies pay EXCEL distribution fees referred to as 12-b1 fees. These fees are retained by EXCEL and used to offset other program sponsor costs. The universe of mutual funds available to client accounts includes a diverse set of both load and no load mutual funds. EXCEL does not exercise control or influence over the client fund selections, other than oversight for the purpose of determining minimum levels of quality and performance standards. Similarly, EXCEL may be paid marketing distribution assistance from certain money market products used in conjunction with the automatic sweep functionality within the brokerage account. The amount of payment is dependent upon the amount of aggregate dollars invested in a particular money market over a given month, and can range from zero to .000417 of the monthly balance. These payments could have a direct impact on the returns of the money market fund. This arrangement presents a conflict of interest, and clients may specifically request the use of an alternate money market fund from the list of available money markets.

Purchases through non-affiliated agents

EXCEL does not offer any proprietary products and all of the recommended investment products can be purchased through other non-affiliated brokers and agents outside of the EXCEL advisory programs. The total cost of these investment products purchased outside of the advisory programs may be more or less than the cost of purchasing within the advisory program.

Performance – Based Fees

None of EXCEL's advisory programs charge fees based on account performance.

Types of clients

Predominately, EXCEL provides investment advisory services to individuals and trusts. EXCEL does provide advice and consulting to 401(k) plans and other ERISA retirement plan types, but the revenues generated from this activity are not currently characterized as Advisory fees. Each of our Advisory programs has a minimum investment amount of \$50,000, except for our Non-Wrap advisory platform, which has a minimum of \$25,000.

Methods of Analysis

FB Advisory Program

The methods of analysis for the FB Advisory program may vary based on the different techniques employed by each Advisor Representative. These methods are more fully described in the brochure supplement for your specific Advisor Representative. Predominately, FB Advisory portfolios utilize a diverse set of mutual funds to reach the desired asset allocation. Common third party analysis tools, such as Morningstar Principia Pro, Advisor Workstation, and Lipper rankings, are used to assist with identifying appropriate investment recommendations. Asset allocation recommendations are derived from the scoring of client responses to profile questionnaires. Initial portfolio recommendations and subsequent reviews of all accounts are evaluated using universal portfolio allocation models. Some advisor representatives have developed and refined unique methods of identifying attractive investment opportunities. Each of these methods employs filtering of quantifiable characteristics to identify potential investment selections. The final analysis considers account specific criteria and the impact of adding or removing specific investments.

Clients should review the Advisor Representatives' specific brochure supplement and ask questions until they are comfortable with the style and levels of risk associated with their investment portfolio. All investments involve risk of loss, and clients should understand the range of most likely outcomes associated with their portfolio and be prepared to bear the risk.

MAC Advisory program

The Mac Advisory program offers two unique options, both discretionarily managed by Lockwood Advisors.

Asset Allocation Portfolios

Using the client profile to identify an appropriate portfolio allocation from five possible portfolio models I through V. Model I being the most conservative with Model V being most aggressive. Lockwood Advisors employs their own research methods to maintain the allocation mix and investment selections within the portfolios. These portfolios are primarily made up of Exchange Traded Funds so that

portfolios have a great deal of transparency, and are typically of lower cost due to the low internal expense ratios associated with the exchange traded funds. All investments involve risk of loss, and clients should understand the range of most likely outcomes associated with their portfolio and be prepared to bear the risk.

Advisor Flex Portfolios

Utilize an objectives-based strategy for identifying the appropriate portfolio mix for clients. The three possible objectives are:

- Income
- Preservation of Capital
- Appreciation

Within each strategy, client portfolios are matched to an appropriate level of risk ranging from Model I through model V. The lower the portfolio numbers, the lower the relative risk. The appreciation strategy has six such Model (Model VI) to further segment the range of risk profiles. Lockwood Advisor's team of financial analysts provides all the research that goes into the portfolio recommendations. The Advisor Representative has the ability to select from a list of alternate investment choices pre-screened and deemed appropriate for each specific sub allocation. Portfolio monitoring and investment selection monitoring is managed by Lockwood's team. In the event portfolio changes are warranted, they will input the trade instructions to complete the change in the client account. For additional explanation on these portfolios please refer to the MAC Wrap Brochure.

Both FB Advisory and MAC Advisory programs use asset allocation as a foundational concept. Asset allocation has been time-tested as a means of reducing portfolio risk, but cannot eliminate investment risk. The effectiveness of the research effort being employed by either your Advisor Representative or Lockwood Advisors will impact your results. All investments involve risk of loss, and clients should understand the range of most likely outcomes associated with their portfolio and be prepared to bear that risk.

Disciplinary Information

There is no material disciplinary information to disclose in this section.

Other Financial Industry Activities and Affiliations

As mentioned earlier in this document, EXCEL is a registered Broker Dealer and EXCEL is the Broker Dealer for all accounts for which we provide advisory services. Currently, all EXCEL Advisor Representatives are also Registered Representatives with FINRA. This is not a requirement, but it does create a conflict of interest as certain transactions may generate more commissions than would result from the same transaction in an Advisory account. Alternatively, an Advisory account may result in fees that exceed the dollar value of the same activity in a commissionable setting. It is prudent to fully assess

the forward looking needs and the fees and charges associated under each relationship type, Advisory or Brokerage.

EXCEL, as a Broker Dealer, maintains a fully disclosed clearing relationship with Pershing LLC. In its capacity as clearing agent, Pershing provides custody for all of EXCEL Advisory accounts. Through its affiliated companies, Pershing also provides a variety of technology and operational systems that facilitate the reporting and oversight functionalities necessary to effectively perform our Advisory obligations. Pershing and Lockwood Advisors are wholly-owned affiliates of the Bank of New York Mellon. As the size and scope of EXCEL's business with Bank of New York Mellon and all related companies grows, the potential exists for EXCEL to obtain enhanced pricing across its related businesses. This may be perceived as a conflict of interest, and is disclosed here so that clients may assess the relevance.

Many of the EXCEL Advisor representatives also maintain insurance licenses and may engage in the sale of various insurance products. Some insurance products, such as variable annuities and variable insurance, are supervised by EXCEL, and other non-variable types may be sold through insurance brokers unrelated to EXCEL. These insurance activities are not offered on an advisory basis, and the commissions and fees generated by this activity can cause a conflict of interest to the Advisory relationship. This is disclosed here so that clients may assess the relevance.

Code of Ethics

EXCEL maintains a CODE of Ethics that establishes rules of conduct for all EXCEL employees and is designed to, among other things, govern personal securities trading activities in the accounts of employees. The Code is based upon the principle that EXCEL and its employees owe a fiduciary duty to EXCEL's clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of clients, (ii) taking inappropriate advantage of their position with the firm, and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility. EXCEL will provide a copy of our Code of Ethics to any client or prospective client upon request.

EXCEL and its related people are prohibited from recommending or selling investments to clients for which EXCEL or its related persons have a material financial interest.

Occasionally, EXCEL advisors may invest in the same securities or related securities that have been recommended to clients. This can create a conflict of interest when the price received or paid for a particular investment by EXCEL or its Advisors is superior to the price obtained by the client. When these circumstances arise, EXCEL attempts to average price all transactions in like securities in the same day and on the same side of the market so that all accounts obtain the same price.

With the exception of persons in supervisory roles, EXCEL's Advisor Representatives do not have the ability to monitor what other EXCEL IARs are recommending or transacting. EXCEL does not attempt to average price transactions in same security, same side of market, in the same day across all EXCEL clients. Our efforts on this front are limited to client accounts of the same IAR.

The discussion of the previous two paragraphs addresses the potential conflict of interest that could arise when EXCEL or one of its IARs has knowledge of pending transactions on behalf of client accounts, and attempts to use that knowledge to transact for its own accounts or related accounts at superior prices.

EXCEL monitors trade activity to identify real or perceived violations of its policies and Code of Ethics so that it may address items as they arise.

Brokerage Practices

EXCEL requires all client Advisory accounts be opened and maintained with EXCEL as the Broker Dealer. The majority of all Advisory accounts are Wrap accounts, and being the Broker Dealer of record for these accounts and related transactions is paramount to the program's ability to maintain stable and predictable pricing. Client accounts outside of Wrap accounts are subject to low transaction fees, identified under the "FEES and Compensation" section of this brochure and commensurate with discount brokerage.

EXCEL does not engage in any arrangements that exchange research or other soft dollar benefits for directed brokerage.

EXCEL does not engage in any activities that exchange client referrals in return for directed brokerage.

As discussed in the Code of Ethics section of this brochure, EXCEL will aggregate the purchase or sale of securities for various client accounts when potential conflicts or perceived conflicts arise with respect to the timing of transactions in client account and similar transactions in the accounts of a related IAR, or if it is known that we will be transacting the same security for multiple client accounts with the same IAR in the same day we will strive to provide average price to all clients.

Review of Accounts

Each client Advisory account is reviewed at least annually by the associated IAR. Minimally, the review will examine the current account holdings and make determination as to whether or not the portfolio is consistent with the needs of the client in accordance with their client profile provided at the time of account opening or in subsequent updates to that information.

The process of this review evaluates the following items and makes determinations with respect to the appropriateness of the results given the client's investor profile.

- The mix of assets being employed (Asset Allocation)
- The actual returns verses appropriate benchmarks (Performance)
- The current measure of risk exposure (Volatility)
- Expenses (An analysis of total expenses)
- Asset turnover
- Results vs Expectations

The client is provided written communication informing them of the review findings and any recommendations.

For accounts using the MAC program, Lockwood regularly reviews the adequacy of the investments made available in each of their portfolios and makes changes as they deem necessary.

Reports

All client accounts are provided brokerage account statements at least quarterly. These statements display starting value, ending value, all transactions that occurred during the reporting period, all positions held at the end of the reporting period, purchase price, and current value, together with all required brokerage account disclosures.

The FB Advisory Wrap accounts also receive a printed and mailed quarterly performance report inclusive of percentage gain and loss since prior reporting period, year to date, one , three, five, and since inception annualized performance returns . This report also provides returns for relevant benchmarks over the same periods as listed above.

The quarterly performance report is elective in the Non-Wrap FB Advisory program. The cost associated with this report is \$6.25 per month deducted directly from the client account.

Quarterly performance reports for MAC program accounts are provided by Lockwood Advisors and are electronically archived with the other client brokerage documents. Clients with internet access to their accounts have ready access to these documents and a complete archive of all historical reports. Some IARs may print and mail these to customers or deliver during face to face account reviews.

The output from performance reports, together with the client provided profile information, is the foundation of periodic account reviews.

Client Referrals and Other Compensation

Neither EXCEL nor its related people receive or provide any compensation or other economic benefit to any persons or entities for providing client referrals.

Neither EXCEL nor its related people receive or provide any compensation or other economic benefit to any persons or entities for providing investment advice or other advisory services to our clients other than relationships described elsewhere in this document.

Custody

As discussed elsewhere in this document, EXCEL does not maintain custody of any client accounts. All client accounts are held at Pershing LLC, and all client account statements are provided by the same.

Investment Discretion

All advisory accounts using the MAC program explicitly authorize trading discretion over their program accounts as part of the written managed account agreement.

Both FB Advisory program offerings are Non-Discretionary by default. If client is granting trading authorization to his/her Advisor Representative, the client must complete Trading Authorization document.

In the event client provides EXCEL with written investment account restrictions, EXCEL will implement processes to honor their request. In the event EXCEL is unable to meet the requested restriction the customer will be notified in writing as soon as administratively feasible.

Voting Client Securities

EXCEL does not vote client securities. Proxy notices will be delivered directly to client's address of record either by the transfer agent or by our clearing firm. Clients can contact EXCEL with questions regarding proxies by calling 585-424-1234 M-F 8:30 – 5:00 pm EST.

Financial Information

Not applicable