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ANNUAL AUDITED REPORT  
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PART III

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Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder  
Washington DC  
405

REPORT FOR THE PERIOD BEGINNING January 1, 2012 AND ENDING December 31, 2012  
MM/DDIYY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: ECM Securities, Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

4740 Peach Street

(No. and Street)

Erie

PA

16509

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Jeffrey W. Evans

814-868-7551

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Root, Spitznas & Smiley, Inc.

(Name - if individual state last, first, middle name)

900 State Street, Suite One

Erie

PA

16501

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

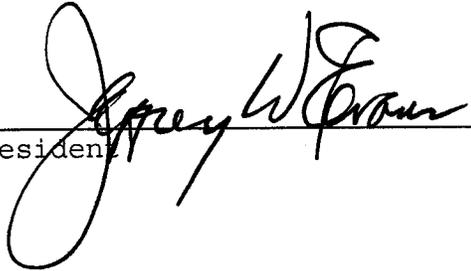
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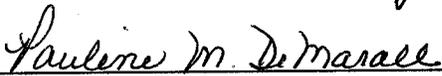
OATH OR AFFIRMATION

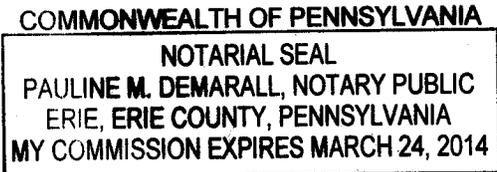
I, Jeffrey W. Evans, President of Evans Capital Management, Inc. (the parent company of ECM Securities, Inc.) and President of ECM Securities, Inc., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of ECM Securities, Inc. as of December 31, 2012, are true and correct. I further swear (or affirm) that neither the Company nor any shareholder, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

None

  
\_\_\_\_\_  
President

Subscribed and sworn to before me  
this 18 day of February 2013

  
\_\_\_\_\_  
Notary Public



This report contains (check all applicable boxes):

- (a) Facing page
- (b) Statement of Financial Condition
- (c) Statement of Income
- (d) Statement of Changes in Stockholders' Equity
- (e) Statement of Cash Flows
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital pursuant to Rule 15c3-1
- (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.
- (o) Independent auditor's report on internal accounting control.

**FINANCIAL STATEMENTS AND REPORTS  
OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

**ECM SECURITIES, INC.**

**(A Wholly Owned Subsidiary of  
Evans Capital Management, Inc.)**

**December 31, 2012 and 2011**

**Root, Spitznas & Smiley, Inc.**  
*Certified Public Accountants*

**FINANCIAL STATEMENTS AND REPORTS  
OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

**ECM SECURITIES, INC.**

**(A Wholly Owned Subsidiary of  
Evans Capital Management, Inc.)**

**December 31, 2012 and 2011**



**Evans Capital Management, Inc.**

Integrity. Experience. Trusted Advice.

February 26, 2013

Securities Exchange Commission  
Registrations Branch  
100 F Street, NE  
Washington, DC 20549

**SEC**  
**Mail Processing**  
**Section**

FEB 26 2013

**Washington DC**  
**405**

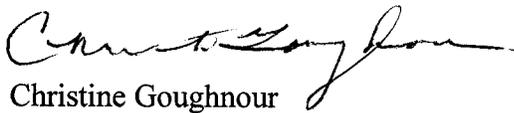
Re: ECM Securities Corp., CRD# 118356

Dear Sir or Madam:

Pursuant to SEC Rule 17a-5, please find enclosed the certified annual audited financial statements submitted on behalf of ECM Securities Corp. If you have any questions or require additional information, please contact our office. Thank you.

Sincerely,

ECM Securities Corp.

  
Christine Goughnour  
Operations Manager

Enclosure

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# Root, Spitznas & Smiley, Inc.

Certified Public Accountants

900 State Street  
Suite One  
Erie, Pennsylvania 16501-1450

814-453-7731  
FAX: 814-455-6799

Michael N. Barko, CPA  
J. Randolph Gehrlein, CPA  
James T. Scavona, CPA

## Independent Auditor's Report

Board of Directors  
ECM Securities, Inc.  
(A wholly owned subsidiary of  
Evans Capital Management, Inc.)

### **Report on the Financial Statements**

We have audited the accompanying statements of financial condition of ECM Securities, Inc. (a wholly owned subsidiary of Evans Capital Management, Inc.) as of December 31, 2012 and 2011, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ECM Securities, Inc. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information contained in the Schedules on pages 10 through 13 is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by Rule 17a-5 under the Securities and Exchange Act of 1934. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information in those schedules has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in those schedules is fairly stated in all material respects in relation to the financial statements as a whole.

*Root, Spitznagel and Smiley, Inc.*

Erie, Pennsylvania  
February 5, 2013

ECM Securities, Inc.

STATEMENTS OF FINANCIAL CONDITION

December 31,

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash	\$15,774	\$40,111
Deposit	353	387
Accounts receivable	23,946	25,548
Prepaid expenses	<u>30,000</u>	<u>-</u>
	<u>\$70,073</u>	<u>\$66,046</u>
LIABILITIES		
Accounts payable	<u>\$ 2,700</u>	<u>\$ 2,896</u>
Total liabilities	2,700	2,896
STOCKHOLDERS' EQUITY		
Common stock, authorized 50,000 shares of \$1 par value, issued 1,000 shares	1,000	1,000
Additional contributed capital	26,500	26,500
Retained earnings	<u>39,873</u>	<u>35,650</u>
	<u>67,373</u>	<u>63,150</u>
	<u>\$70,073</u>	<u>\$66,046</u>

The accompanying notes are an integral part of these statements.

ECM Securities, Inc.

STATEMENTS OF INCOME

Years ended December 31,

	<u>2012</u>	<u>2011</u>
Revenue		
Commissions	\$622,029	\$670,530
Miscellaneous	<u>-</u>	<u>922</u>
Total revenue	<u>622,029</u>	<u>671,452</u>
Operating expenses		
Management and support fees	603,073	642,150
Dues, licenses and subscriptions	10,242	9,134
Commissions	352	351
Legal and professional	2,950	3,225
Consulting	1,124	736
Office supplies	<u>65</u>	<u>26</u>
Total operating expenses	<u>617,806</u>	<u>655,622</u>
Income before income taxes	4,223	15,830
Income taxes	<u>-</u>	<u>-</u>
NET INCOME	<u>\$ 4,223</u>	<u>\$ 15,830</u>

The accompanying notes are an integral part of these statements.

ECM Securities, Inc.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended December 31, 2012 and 2011

	<u>Common Stock</u>	<u>Additional Contributed Capital</u>	<u>Retained Earnings</u>
Balances at January 1, 2011	\$ 1,000	\$ 26,500	\$ 19,820
Additional capital contributed	-	-	-
Net income	-	-	15,830
Dividends paid to parent company	-	-	-
Balances at December 31, 2011	1,000	26,500	35,650
Additional capital contributed	-	-	-
Net income	-	-	4,223
Dividends paid to parent company	-	-	-
Balances at December 31, 2012	<u>\$ 1,000</u>	<u>\$ 26,500</u>	<u>\$ 39,873</u>

The accompanying notes are an integral part of these statements.

ECM Securities, Inc.

STATEMENTS OF CASH FLOWS

Years ended December 31,

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Net income	\$ 4,223	\$ 15,830
Adjustment to reconcile net income to net cash (used in) provided by operating activities:		
Decrease (increase) in deposits	34	( 153 )
Decrease in accounts receivable	1,603	16,631
Increase in prepaid expenses	( 30,000 )	-
(Decrease) increase in accounts payable	( 197 )	236
Net cash (used in) provided by operating activities	( 24,337 )	32,543
Cash flows from investing activities:		
Dividends paid	-	-
Net cash used in investing activities	-	-
Net (decrease) increase in cash	( 24,337 )	32,543
Cash at beginning of year	<u>40,111</u>	<u>7,568</u>
Cash at end of year	<u>\$ 15,774</u>	<u>\$ 40,111</u>
<u>Cash paid during the year for:</u>		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

The accompanying notes are an integral part of these statements.

ECM Securities, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Nature of Operations

The Company is a FINRA registered broker/dealer incorporated under the laws of the Commonwealth of Pennsylvania whose business activities relate to the offer and sale of mutual funds, variable annuities and variable life insurance contracts to clients primarily in Northwestern Pennsylvania. The Company was incorporated on July 26, 2001 as a wholly owned subsidiary of Evans Capital Management, Inc.

2. Estimates in Financial Statements

In preparing financial statements in conformity with U.S. generally accepted accounting principles, management makes 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, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Income Taxes

The Company has elected to be treated as a "Qualified Subchapter S Subsidiary" corporation for federal income tax purposes. As such, Evans Capital Management, Inc., the parent, will report the income and losses of the Company on its corporate income tax return. Accordingly, no provision has been made by the Company for federal income taxes. The Company is subject to PA Capital Stock Tax.

The Company has adopted the provisions of FASB ASC 740, Income Taxes. FASB ASC 740 prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken in a tax return. The Company records any related interest expense and penalties, if any, as a tax expense. For the years ended December 31, 2012 and 2011, there were no unrecognized tax benefits or interest and penalty expense incurred. Tax years that remain subject to examination are years 2009 and forward.

ECM Securities, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Concentration of Credit Risk

The Company maintains cash balances in one financial institution located in Erie, Pennsylvania. The Company's balance does not exceed the federally insured maximum of \$250,000, has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. The Company's accounts receivable consist of commissions and trails revenue from various investment companies. Management closely monitors outstanding balances, collection losses have been historically immaterial and management is not aware of any customer disputes or financial difficulties.

5. Cash equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

6. Date of Management's Review

Management has evaluated subsequent events through February 5, 2013, the date the financial statements were available to be issued.

NOTE B - MANAGEMENT AND SUPPORT FEES

The Company's management and support fees are paid to Evans Capital Management, Inc., the parent company. These fees are in accordance with a management and support agreement as well as an allocation of expenses agreement. According to the agreements, these fees represent the Company's portion of shared expenses and the time and effort of the shareholders of the parent for the ongoing direction of the Company. The shared expenses represent all expenses of the parent and all of its subsidiaries that cannot be easily and directly attributable to any separate company, and are therefore paid by the parent.

ECM Securities, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE C - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2012, the Company had net capital of \$13,771, which was \$8,771 in excess of its required net capital of \$5,000. The Company's net capital ratio was .196 to 1. At December 31, 2011, the Company had net capital of \$38,564, which was \$33,564 in excess of its required net capital of \$5,000. The Company's net capital ratio was .075 to 1.

SUPPLEMENTAL INFORMATION

ECM Securities, Inc.

COMPUTATION OF NET CAPITAL

Year ended December 31, 2012

**COMPUTATION OF NET CAPITAL**

Total stockholders' equity	\$ 67,373
Less stockholders' equity not allowable	<u>          -</u>
Total stockholders' equity qualified for Net Capital	67,373
Additions	<u>          -</u>
Total capital and allowable subordinate liabilities	67,373
Deductions and/or charges:	
Total nonallowable assets	( 53,602 )
Other additions and/or credits	<u>          -</u>
Net capital before haircuts on securities positions	13,771
Haircuts on securities	<u>          -</u>
Net Capital	<u><u>\$ 13,771</u></u>

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

Total aggregate indebtedness liabilities	\$ 2,700
Additions	<u>          -</u>
Total aggregate indebtedness	<u>\$ 2,700</u>
Percentage of aggregate indebtedness to net capital	<u>19.6%</u>

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

Minimum net capital required	<u>\$ 180</u>
Minimum dollar net capital requirement	<u>\$ 5,000</u>
Net capital requirement	<u>\$ 5,000</u>
Excess net capital	<u>\$ 8,771</u>
Net capital less 120% of net capital requirement	<u>\$ 7,771</u>

No material differences exist between the above computations and those reported on the unaudited FOCUS report.

ECM Securities, Inc.

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
PURSUANT TO RULE 15c3-3

Year ended December 31, 2012

This schedule is not applicable for ECM Securities, Inc. as it claims a K(1) exemption.

ECM Securities, Inc.

INFORMATION RELATING TO THE POSSESSION OR CONTROL  
REQUIREMENTS UNDER RULE 15c3-3

Year ended December 31, 2012

This schedule is not applicable for ECM Securities, Inc. as it claims a K(1) exemption.

ECM Securities, Inc.

RECONCILIATION OF THE COMPUTATION OF NET CAPITAL AND  
THE COMPUTATION FOR DETERMINATION OF RESERVE  
REQUIREMENTS UNDER RULE 15c3-3

Year ended December 31, 2012

This schedule is not applicable for ECM Securities, Inc. as it claims a  
K(1) exemption.

# Root, Spitznas & Smiley, Inc.

Certified Public Accountants

900 State Street  
Suite One  
Erie, Pennsylvania 16501-1450

814-453-7731  
FAX: 814-455-6799

Michael N. Barko, CPA  
J. Randolph Gehrlein, CPA  
James T. Scavona, CPA

## Independent Auditor's Report on Internal Control Structure

Board of Directors  
ECM Securities, Inc.

In planning and performing our audit of the financial statements of ECM Securities, Inc., as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons and recordation of differences required by Rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's previously mentioned objectives.

Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined previously.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2012, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, FINRA, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Root, Spitznagel and Smiley, Inc.*

February 5, 2013