



# ECM Advisors, Inc.

Registered Investment Adviser

## Firm Brochure

(Part 2A of Form ADV)

March 30, 2011



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This brochure provides information about the qualifications and business practices of ECM Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at (814)868-7551, or by email at: [info@ecmnet.com](mailto:info@ecmnet.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 ECM Advisors, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registered Investment Advisor means ECM Advisors, Inc. is a SEC Registered Investment Advisor. It does not imply a certain level of skill or training.

## ***Material Changes***

### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

### **Material Changes since the Last Update**

The last update to our Firm Brochure was in March 30, 2011. The U. S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at (814)868-7551 or by email at: [info@ecmnet.com](mailto:info@ecmnet.com).

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## ***Advisory Business***

### **Firm Description**

ECM Advisors, Inc. has been in existence since 1998. ECM Advisors, Inc. provides comprehensive financial planning services for individuals and investment management to individuals, profit sharing and 401(k) plans, trusts, estates, charitable organizations and small businesses. Advice is provided through consultation with our clients. We offer advice in the areas of:

- Establishing financial goals and objectives
- Cash flow management
- Investment management
- Tax and insurance planning
- Retirement planning and estate planning

ECM Advisors, Inc. is a fee-only financial planning and investment management firm. We do not receive commissions based upon the client's purchase of any financial product.

### **Principal Owners**

ECM Advisors, Inc. is a wholly owned subsidiary of Evans Capital Management, Inc. (ECM). The owners of ECM are Jeffrey W. Evans (87%), Arthur A. Laneve (7%) and Steven T. Erhartic (6%). ECM also has two other subsidiary corporations, ECM Securities Corp., and Integrated Financial Services, Inc. These relationships are described more fully in "Other Financial Industry Activities and Affiliations" on page 7.

## **Types of Advisory Services**

### **Investment Management**

Investment management makes up the largest portion of ECM Advisors, Inc. client activity and is an ongoing process which generally addresses the following items:

- Meet with you to discuss your goals, investment objectives, time horizon and risk level.
- Design a written investment policy based upon the above findings.
- Prepare an asset allocation for an investment portfolio based on this policy.
- Identify suitable investments for this portfolio and invest your funds accordingly.
- Monitor the performance of the portfolio created and rebalance assets as necessary in line with the written investment policy.

After our initial meeting with you, we will determine the appropriate allocation model upon which the investment policy will be developed assigning the account to one of four allocation models:

- Aggressive
- Growth
- Balanced
- Conservative

In some cases where your objectives fall outside one of the above models, a custom allocation may be implemented. An example could be a Fixed Income portfolio. The types of investments we use in our portfolios are no-load mutual funds, exchange-traded funds, individual stocks and/or individual bonds and closed-end funds.

### **Financial Planning**

This service would generally involve a review and assessment of your present financial situation and the preparation of a written report of our recommendations. This report would take into account your goals, objectives and risk parameters. A Comprehensive Plan may include any of the following:

- Net worth and cash flow evaluations
- Investment management
- Education planning
- Income tax and insurance planning
- Retirement planning and projections
- Estate planning issues

You may request any of these services separately or request a Plan which includes all of the above.

### **Brokerage Advisory Service**

ECM Advisors, Inc. offers a service for the individual who wants to self-direct their brokerage account. We will prepare the applications and related paperwork necessary to establish an account with Charles Schwab and Company, Inc. and provide you with quarterly performance reports and annual tax information reporting (such as realized gain or loss information). You may contact us to request information and opinions on various securities and request that trades be placed in your account. **This service is NOT an asset management service and we do not regularly monitor your account in any manner.** Decisions relating to any investment (whether to purchase or sell, when, and how much of any security) are made by you. Accounts over \$100,000 are generally not eligible for this advisory service, although exceptions may be allowed under certain circumstances at our discretion.

### **Tailored Relationships**

At ECM Advisors, Inc., advisory services are tailored to your needs. From an investment management perspective, your goals and objectives are combined with our risk/suitability checklist to determine the appropriate model portfolio for you. You may impose restrictions on investing in certain types of securities. For example, you may desire the use of only socially responsible funds in your account. These restrictions are noted in an asset management agreement that you will be asked to sign when you begin working with us.

From the financial planning perspective, all engagements are tailored to the individual's goals and objectives.

### **Wrap Fee Programs**

ECM Advisors, Inc. does not participate in wrap fee programs.

## **Managed Assets**

As of December 31, 2010, ECM Advisors, Inc. managed approximately \$113,819,000 in assets for about 360 accounts or 225 households. (Refer to page 14 for additional information about investment discretion.)

## ***Fees and Compensation***

ECM Advisors, Inc. bases its fees on a percentage of Assets Under Management, hourly charges, and fixed fees.

## **Fee Schedule**

**Asset Management** - Fees for assets under management are calculated on the total value of the assets in your account. For the purposes of fee calculations, accounts under the same household are aggregated. The following fees are annual rates and apply to accounts opened after December 31, 2009.

From	\$	0 to \$1,000,000	1.00%
		\$1,000,001 to \$2,000,000	0.70%
		\$2,000,001 and above	0.40%

**Financial Planning** - Fees for Financial Planning are based upon our hourly billing rates. Maximum hourly charges vary depending upon the individual/position performing the work and are as follows:

- Senior Planner/Principal (CFP<sup>®</sup>, CPA etc.) \$150/hr
- Associate Planner \$75/hr
- Clerical/Administrative \$25/hr

With prior notification, a client's plan can be updated. The fee for this service will be determined at the time of the client's request, based upon the facts and circumstances of the client's situation.

## **Fee Billing**

**Investment Management** - Management fees are billed quarterly in advance, meaning that we invoice you before the three-month billing period has begun. You may choose to have fees deducted from a designated brokerage account by providing us with written consent or we will provide you with an invoice for payment. Payment in full is expected upon invoice presentation. Depending upon the size and nature of your managed account, fees may be negotiable.

**Financial Planning** - Based upon the services requested during the initial consultation, a written estimate of the fee may be provided. One half of the fee, up to a maximum of \$1,000 is collected prior to the commencement of any planning work. All remaining fees are due and payable upon completion and presentation of the requested service.

**Brokerage Advisory** - We charge a minimum annual fee of \$200 for any account under our Brokerage Advisory Service (billed quarterly, in arrears, at \$50 per quarter). This charge covers the fee for all reporting functions as well as normal activity to service your account. If you request services above the normal account activity, we may bill you for additional advisory time spent. You would be advised of these charges prior to any additional advisory work. Fees are directly deducted from your account and an invoice is simultaneously sent to you for notification purposes. These fees may be waived at our discretion.

### **Other Fees**

Custodians may charge transaction fees on purchases or sales of certain mutual funds, stocks, bonds and exchange-traded funds. In some cases, custodians also charge monthly, quarterly or annual custody fees. (Refer to “Brokerage Practices” on page 10 for additional information on fees charged by brokers.)

### **Expense Ratios**

Mutual funds incur on-going operating costs, referred to as the funds internal expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. ECM Advisors, Inc. generally uses institutional class funds that have lower expense ratios than other class shares. These mutual fund expenses are in addition to the fees paid by you to ECM Advisors, Inc. and are disclosed in the fund prospectus. Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

### **Termination of Agreement and Past Due Accounts**

**Asset Management** - Either party may terminate the business relationship for any reason. There are no fees charged by ECM Advisors, Inc. to terminate an asset management agreement. However, should you wish to transfer and/or sell all or a portion of your account you may be subject to the customary transaction/termination fees charged by Charles Schwab and Co. Inc. or National Advisors Trust Company. (Refer to “Brokerage Practices” on page 10 for additional information on custodial charges.)

Fees paid in advance will be prorated and a refund processed for any days remaining in the billed quarter. This reimbursement is based upon the date you notified us of the termination of the asset management agreement. Your refund will be processed within (30) days as either a deposit to your account or in the form of a check mailed to you

**Financial Plan** – You have the right to cancel the planning engagement without penalty. In such event, fees will be based upon the work completed to that point.

We reserve the right to stop work on any account that is more than 60 days overdue.

### **Compensation for Sales of Investment Products**

ECM Advisors, Inc. does not receive compensation for the sale of securities, other investment products or service fees from the sale of mutual funds within the managed accounts. To do so would present a conflict of interest and give the advisor an incentive to recommend investment products based on the

compensation received rather than your investment objectives. Mutual funds that are purchased within the managed portfolio are no load or an “institutional” share class that have no sales charge or commission paid to the advisor.

On occasion you may request or we may recommend that you transfer funds from your managed account to another investment that would be held outside your managed portfolio, i.e. you may want a portion of your assets in a fixed or variable annuity. This purchase would be made through our broker dealer **ECM Securities Corp.**, where a commission would be paid to the broker dealer. This investment is not a part of the managed portfolio and therefore not included in the calculation of any advisory management fees going forward. You have the option to purchase these investment products through a broker dealer not affiliated with us. (Refer to “Other Financial Industry Activities or Affiliations” on page 8 for additional information on ECM Securities Corp. )

### ***Performance-Based Fees***

ECM Advisors, Inc. does not accept or manage accounts that use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client. The nature of asset-based fees allows us to participate in the growth of the client’s account.

### ***Types of Clients***

ECM Advisors, Inc. generally provides investment advice to individuals, trusts, estates, charitable organizations, corporations or business entities and pension and profit sharing plans.

### **Account Minimums**

The minimum account size considered for management is \$100,000. If account assets fall below a level that we consider too low to properly manage, alternatives may be suggested, but, the management agreement will be terminated only at your request. We have the discretion to waive this account minimum. Other exceptions will apply to employees of ECM Advisors, Inc. and their relatives, or relatives of existing clients. Existing client relationships vary in scope and length of service.

## ***Methods of Analysis, Investment Strategies and Risk of Loss***

### **Methods of Analysis**

ECM Advisors, Inc. uses fundamental and technical analysis in the selection of securities to use in your portfolio. The main sources of information for security analysis include:

- Research from third-party research firms such as Morningstar, Littman/Gregory, Argus, Charles Schwab, Ned Davis Research, Goldman Sachs, and Credit Suisse
- Public records filed with the U.S. Securities and Exchange Commission

- Financial publications such as the Wall Street Journal, Barron's, Bloomberg Businessweek
- Company websites, annual reports, and other company specific public records
- Employees of ECM Advisors, Inc. also participate in conference calls and industry conferences that provide insights into the research of securities
- Public information collected from financial website such as Yahoo! Finance or Google Finance

## **Investment Strategies**

The foundation of our investment process is based on the principles of asset allocation and diversification. We utilize a top-down approach in determining the asset allocation mix for your portfolio. (This means the asset allocation comes first and the security selection second.) Each portfolio is personalized to meet your investment objectives and risk profile, investment goals, and time horizon, which are determined at the onset of our relationship. Any changes to these objectives or your risk profile should be brought to our attention immediately.

ECM Advisors, Inc. currently employs four asset allocation models. The models are updated quarterly to reflect our outlook over the short to intermediate-term for the economy and markets. Within each model six asset classes are currently utilized, they include domestic stocks, foreign stocks, fixed income, REITs (real estate investment trusts), alternatives (commodities, low-volatility strategies), and cash. The outlook for each asset class will determine its weighting within each model.

Your portfolio may be allocated among a number of sub-asset classes including but not limited to Large Cap, Mid Cap, Small Cap, International Equities, U. S. Treasuries, Agencies, Corporate Bonds, Municipal Bonds, High Yield Bonds, as well as alternative investments. Most often, the Large Cap, Mid Cap, Small Cap, International Equity allocation and Fixed Income allocation are typically invested through managers, utilizing investment vehicles such as no-load and institutional mutual funds, exchange traded funds or other comparable investment vehicles. Portfolios of sufficient size may be invested in individual stocks and individual bonds as well.

## **Risk of Loss**

Our clients face risks that are specific to investing and not particular to ECM Advisors, Inc. Those risks include:

- **Interest-rate risk:** The risk borne by an interest-bearing asset, such as a loan or a bond, due to variability of interest rates. In general, as rates rise, the price of a fixed rate bond will fall, and vice versa.
- **Market Risk:** The risk that the price of a security may drop in reaction to market events. This type of risk is independent of risks associated with a security's particular underlying circumstances. (see business risk below)
- **Inflation Risk:** The risk that a currency loses its purchasing power because of the rising price of goods and services.
- **Currency Risk:** The risk that arises from the change in price of one currency against another.
- **Reinvestment Risk:** The risk that a decline in interest rates will lead to lower income when bonds mature and funds are reinvested at a lower rate.

- **Business Risk:** The risk associated with a particular industry or a particular company with an industry.
- **Liquidity Risk:** The risk that an investment will not readily be converted into cash.
- **Financial Risk:** The increase in stockholder' risk, over and above the firm's basic business risk, resulting from the use of financial leverage (borrowing).

Clients also face the risk that securities that we choose for your portfolio may not perform as well as similar securities in the same industry or the stock/bond market in general.

## ***Disciplinary Information***

### **Legal and Disciplinary**

ECM Advisors, Inc. and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

## ***Other Financial Industry Activities Affiliations***

### **Broker Dealers and Registered Representatives**

**ECM Advisors, Inc.** is affiliated with **ECM Securities Corp. (ECMS)**, a limited broker dealer. Both corporations are subsidiaries of **Evans Capital Management, Inc. (ECM)**. As described in "Firm Description" on page 1, the owners of ECM, (Jeffrey W. Evans, Arthur A. Laneve and Steven T. Erhartic), are also Registered Representatives of ECM Securities Corp. ECM Securities Corp. is a Financial Industry Regulatory Authority (FINRA) member, subject to the regulations and compliance oversight that such membership implies.

Under certain circumstances ECM Advisors, Inc. may recommend the purchase of an investment product that is offered through ECM Securities Corp. For example, if your investments fall below the account minimum of \$100,000 we may suggest an alternative to our investment management account. If you purchase these investments through ECMS normal breakpoints and commissions for that product apply. Any commissions or fees that you are charged will be fully disclosed at the time of purchase.

### **Insurance Companies**

Associated persons of ECM Advisors, Inc. are also licensed with various insurance companies, and may write insurance business through another Evans Capital Management, Inc. affiliate, **Integrated Financial Services, Inc. (IFS)**. This entity is an insurance broker used to process applications for individual life, disability and long-term care insurance, as well as fixed annuities. If you purchase an annuity contract or insurance policy a commission is paid by the insurance company to IFS.

You are under no obligation to purchase products or services recommended by us through ECM Securities Corp. or Integrated Financial Services, Inc. There is no employer-employee relationship between ECM Advisors, Inc. and any other securities or insurance company not listed above. Business in each affiliate is conducted on a separate basis and each entity may have separate dedicated employees.

Since certain individuals of ECM Advisors, Inc. may also be involved in the day-to-day operations of other entities, you should be aware of this relationship and will be informed immediately of any conflicts of interest that might arise if you request the services of these other entities.

### **Other Affiliations**

**Employee Benefit Resources, Inc. (EBR)** is a separate company that shares some common areas and office space in the same building as Evans Capital Management, Inc. While Evans Capital Management, Inc. does not own any part of Employee Benefit Resources, Inc., Jeffrey Evans individually owns a 50% interest in EBR. EBR offers group insurance (life, health, dental, etc.) and Section 125 plan administration services to the business community. If you seek advice on such products or services, you may be referred to EBR. There is no compensation paid to ECM Advisors, Inc. or Evans Capital Management, Inc. for such referrals.

**National Advisors Trust Company, FSB** - Evans Capital Management, Inc. is one of approximately 110 firms that participated in the founding of National Advisors Trust Company, a federally chartered trust company intended to provide a low cost alternative for investment advisory firms to traditional trust service providers. National Advisors Trust Company (NATC) is a wholly owned subsidiary of National Advisors Holdings, Inc., a Delaware Corporation. We occasionally recommend the use of trusts and/or trust services to our clients and would be likely to refer the use of NATC. ECM Advisors, Inc. does not derive any solicitation/referral fees or any extra compensation from NATC, and ECMA's compensation schedule for clients using NATC remains identical to the fee schedule listed on page 3 of this brochure. However, any Advisory Clients who utilize the services of National Advisors Trust Company may incur fiduciary, trustee or custodial fees as described in their respective schedule of fees. These fees shall be fully disclosed to the Advisory Client prior to or at the time an account is established with National Advisors Trust Company.

Jeffrey W. Evans, a principal of Evans Capital Management, Inc. is a minority shareholder of National Advisors Holdings, Inc. Mr. Evans receives no compensation from NATC nor does he receive any referral fee for directing a client to National Advisors Trust Company.

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

### **Code of Ethics**

All employees of ECM Advisors, Inc. are required to adhere to the firm's written Code of Ethics, which sets out ideals for ethical conduct based on the fundamental expectations of integrity, honesty and trust. The ECM Code of Ethics is an expression of our firm's recognition of its responsibilities to its clients, its employees and the public. It is founded on the three main principles of Integrity, Competence and Confidentiality. This means that the firm and its employees shall act in the client's best interest at all times, and the client's interest shall always be placed ahead of the firm's interest. Investment opportunities must be offered first to clients before the firm or its employees may act on them. ***A copy of the ECM Code of Ethics is available to any client or prospective client upon request.***

## **Participation or Interest in Client Transactions**

From time to time, your investment goals may be similar to the goals of an employee of the firm. We may recommend that you buy or sell investment products that our employees also own or intend to purchase. Generally, said investment interests will be in stocks and mutual funds and in amounts that are insignificant to the size of the total investment pool, thus too small to noticeably “affect the market.” To address any potential conflicts of interest, we have written trading policies in place that are known by all employees and are intended to eliminate any potential for illegal gains due to “front-running” or “insider-trading.” In any case employees will be “last in” and “last out” for any trading day during which such transactions may occur. It is our explicit policy that **any** client trade, whether a buy or sell, be executed first (prior to any trades on behalf of the employee). Furthermore, all employees are instructed not to act on any “insider information” they might acquire and are required to certify annually that they have reviewed, and will abide by, our written trading policies. A copy of these written trading policies will be provided upon request.

## **Personal Trading**

Arthur A. Laneve is the Chief Compliance Officer of ECM Advisors, Inc. He reviews all employee trades each quarter. Art’s trades are reviewed by Steven T. Erhartic. These reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment.

## ***Brokerage Practices***

### **The Custodian and Brokers We Use**

You will be required to open an account with a brokerage firm that will act as a qualified custodian and settle your trades. We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, or National Advisors Trust Company, an independent federally chartered trust company, member FDIC. ECM Advisors, Inc. is independently owned and operated and is not affiliated with Schwab or National Advisors Trust Company.

**Directed Brokerage** – When any trades are executed on your account, we will direct those trades to Schwab or National Advisors Trust Company, depending upon where your account is custodied. ECM Advisors, Inc. does not have any association with or direct any trade executions to any other broker dealer.

### **How We Select Custodians**

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see “Products and Services Available to us From Custodians”)

### **Best Execution**

An essential service that advisers perform for their clients is to execute securities transactions. ECM Advisors, Inc. has a fiduciary obligation to seek the best execution for these transactions. We review the execution of trades at each custodian quarterly. This review is part of our operating procedures and compliance reviews. We also review the trading fees charged by our custodians as part of our Best Execution Review that is performed semi-annually.

### **Your Brokerage and Custody Costs**

Schwab or National Advisors Trust generally do not charge you for custody services but are compensated by charging you commissions or other fees on trades that they execute or that settle into your account. National Advisors Trust does charge a Net Asset Value Fee (NAV) for personal and charitable trusts accounts. You will be advised of these or any other fees before you establish the account with the custodian.

When appropriate and in the best interest of the client from a total cost (brokerage fees + price of security), **ECM Advisors, Inc.** will aggregate trades so that clients can benefit from the reduced total cost of buying a security if it is economically sensible to do so. National Advisors Trust allows commissions to be shared among clients when trades are aggregated so that each client pays a pro-rata share of the total cost of the aggregated trade. Schwab does not offer shared commissions, however, aggregating trades at Schwab may result in more favorable pricing when buying or selling a security.

## ***Research and Other Soft Dollar Benefits***

### **Products and Services available to ECM Advisors, Inc. from Schwab**

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms. They provide us and our clients with access to its institutional brokerage— trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer your account, while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. Currently our assets under management far exceed this minimum. Following is a more detailed description of Schwab's support services:

**Services That Benefit You** - Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

**Services That May Not Directly Benefit You** - Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

**Services That Generally Benefit Only ECM Advisors, Inc.** - Schwab also offers other services intended to help us manage and further develop our business enterprise. These services are often referred to as "Soft Dollars" and must be disclosed to our clients. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits and insurance providers, human capital consultants

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

### **Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (refer to "How We Select Custodians" on page 9) and not Schwab's services that benefit only us. We have in excess of \$100 million in client assets under management, and we do not believe that recommending to our clients to collectively maintain at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

## ***Review of Accounts***

### **Periodic Reviews**

**Investment Management** - Each actively-managed account is reviewed at least quarterly to ensure its investments and proportions remain suitable to your objectives, as well as are within asset allocation norms set by our portfolio management team. Securities recommendations are reviewed at least monthly to determine if they continue to be desirable holdings or should be replaced. General asset allocations for each portfolio model listed on page 1 are determined every 3 - 4 months (and potentially more frequently) depending on changes in economic environment, and usually reviewed monthly. Your account may be reviewed more frequently than quarterly if conditions dictate (**Review Triggers**). For example, if your personal situation changed or there was a significant modification to the tax law. Accounts may be reviewed by any of the supervised person described in the Brochure Supplement in Part 2B of this ADV.

**Financial Planning** - Financial Plan reviews are performed periodically at the client's request only. Reviews will consider changes to the economic environment since the original plan was created and their potential effect on the Plan's original projections, in relation to the client's current and/or revised stated goals, time horizon and risk tolerance. Additional review triggers can include any significant change to the clients financial or family status (i.e. retirement, birth, inheritance, etc.). Revised projections may result in a reallocation of assets or the adoption of new/alternative strategies,

implemented solely at the Client's discretion. Any fee for a Financial Plan review or update will be charged at the current ECM Advisors, Inc. regular hourly rate. We may waive all or part of the review fee if you have assets invested in our managed asset program.

### **Regular Reports to and Reviews with Clients**

Asset management clients receive monthly statements of their holdings and activity from their custodian. ECM Advisors, Inc. provides quarterly position statements and performance reports along with a market commentary. Although the frequency of individual reviews is negotiated with each client, ECM Advisors, Inc. attempts to schedule at least one face-to-face meeting per year with each asset management client to review goals and risk tolerance, and to ensure such objectives have not changed over time. During this annual review meeting, the client will receive a positions and asset allocation report of the account(s), as well as a historical performance review net of all fees.

## ***Client Referrals and other Compensation***

### **Referral Arrangements**

ECM Advisors, Inc. has been fortunate to receive many client referrals over the years. The referrals came from current clients, attorneys, accountants, employees and other similar sources. We do not compensate referring parties for these referrals. We do not accept referral fees or any form of remuneration from other professionals when a client is referred to them.

### **Independent Contractors**

Evans Capital Management, Inc. is affiliated with Mark Simpson, CPA, CFP<sup>®</sup>, an independent contractor who operates his own tax practice. Mark is a licensed registered representative of ECM Securities Corp. and uses both our investment advisory and brokerage services to provide financial services to his existing clients. Evans Capital Management, Inc. pays Mark a 25% fee on any asset management fee invoiced and a 40% fee on brokerage commissions that are paid on behalf of his clients. More information on Mark is available in our Brochure Supplement on page 21.

### **Additional Compensation**

Our advisors are not provided with additional compensation or paid a commission for the sale of any investment product. ECM Advisors, Inc. does not participate in sales contests or offer sales awards to their employees. From time to time employees may be provided with incentives (Ex: discounts and/or reimbursements for seminars and conferences) from investment companies we do business with. These incentives are at a minimum and considered "gifts and gratuities" that are regulated by FINRA. Any other incentives are considered a conflict of interest. (Refer to "Code of Ethics" on page 9 for more information.)

## ***Custody and SEC Ruling***

### **Account Statements**

ECM Advisors, Inc. does not have physical custody of your assets. All assets are held at qualified custodians, who provide you with account statements for your review, at least quarterly.

### **SEC Ruling**

According to a recent ruling by the SEC, investment advisors are deemed to have “custody” if certain conditions are met. We are deemed to have custody because we can deduct our advisory fees directly from your account. Advisors who are deemed to have custody solely for that reason are exempt from SEC annual audits of those accounts by an independent CPA firm.

### **Performance Reports and Statements**

ECM Advisors, Inc. also provides you with portfolio statements and performance reports on a quarterly basis. These reports are generated from our client portfolio management system. Clients are urged to compare the account statements they receive from their custodian with those they receive from **ECM Advisors, Inc.** and ***report any discrepancies immediately.***

## ***Investment Discretion***

### **Discretionary Authority for Trading and Limited Power of Attorney**

Included within your account application with either Charles Schwab & Co., Inc. or National Advisors Trust Company will be a limited power of attorney to place trades on a discretionary basis. This power allows us to give instructions to your custodian for the purchase, sale or conversion of a security in the amount we decide is necessary. Such transactions are placed without further authorization by you. The majority of the accounts handled by ECM Advisors, Inc. operate under such discretionary basis. This discretionary authority is signed by you when the asset management agreement is executed. Any limitations placed on this authority will be noted on the asset management agreement at that time.

You may also give your custodian the permission to accept requests for disbursements on your behalf. These disbursements are limited to payment to you or your designated bank account. You must authorize in writing any disbursements from your account that are paid or mailed to a third party.

## ***Voting Client Securities***

We do not vote proxies on your securities. You will receive any proxies or other solicitations directly from your custodian or a transfer agent. While ECM Advisors, Inc. will not vote on proxies, you may contact us for recommendations about a particular solicitation as long as that recommendation does not create a conflict of interest.

## ***Financial Information***

### **Financial Condition**

ECM Advisors, Inc. does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because ECM Advisors, Inc. does not serve as custodian for client's funds or securities and does not require pre-payment of fees of more than \$1,200 per client and six months or more in advance.

***Brochure Supplement (part 2B of Form ADV)***

**ECM Advisors, Inc.**

**4740 Peach Street**

**Erie, PA 16509**

**(814)868-7551**

**March 30, 2011**

**Supervised Persons, Education and Business Standards  
and Professional Certifications**

Jeffrey W. Evans, Arthur A. Laneve, Steve T. Erhartic, Shannon L. Morton, Mark E. Simpson

This brochure supplement provides information about the above supervised persons that supplements the ECM Advisors, Inc. brochure. You should have received a copy of that brochure. Please contact our office if you did not receive ECM Advisors, Inc.'s brochure or if you have any questions about the contents of this supplement.

**Education and Business Standards**

ECM Advisors, Inc. has set the following educational standards as minimum requirements for any employee involved in determining recommendations or advice to you:

- We require that any individual involved in the formulation of recommendations and/or advice regarding securities investments acquire the Financial Industry Regulatory Authority (FINRA) Series 7 license (registered representative's general securities exam).
- We require that any individual involved in the formulation of recommendations and/or advice regarding insurance matters become actively licensed with the Pennsylvania Department of Insurance.
- Additionally, we require that such individuals possess a college degree, as well as a minimum of two years experience in their area of expertise (securities analysis, insurance review, financial planning, etc.).

**Professional Certifications**

ECM Advisors, Inc. seeks out employees who have further professional degrees in their respective fields of expertise, as evidenced by designations such as CFP<sup>®</sup>, CFA, CPA, PFS, etc. It is a requirement that any employees with such professional designations obtain sufficient continuing education credits on an annual basis to retain their designations. As required, we have included further information about these certifications and credentials in this brochure.

**Jeffrey W. Evans, CFP®**

**Birthdate - 09/03/1944**

**Education Background and Business Experience:**

Jeff Evans is the Founder, President and majority shareholder of Evans Capital Management, Inc. Jeff graduated from Gannon University, Erie, PA in 1969 receiving a Bachelor of Arts Degree with a major in Marketing. In business since 1971, Jeff is involved in all planning aspects of the firm, but has been particularly prominent in the areas of insurance, business succession planning and charitable gifting. Jeff has written many articles for publication and has spoken at numerous industry gatherings. He is a frequent commentator on the financial markets and the economy, and has been quoted in magazines and newspapers such as *INC. Magazine*, *Financial Planning* and *USA Today*.

**Disciplinary Information:** None

**Other Business Activities and Registrations:**

- CERTIFIED FINANCIAL PLANNER (CFP®).
- Registered Representative with ECM Securities Corp.
- FINRA General Securities Principal (Series 24).
- FINRA Full Registration/General Securities Representative (Series 7).
- PA Uniform Securities Agent State Law Exam (Series 63).
- Insurance License with various states, including PA, OH, NY, FL and KS.

**Other Professional Activities:**

Member: Financial Planning Association (FPA), National Association of Insurance and Financial Advisors (NAIFA) and Estate Planning Council of Erie

**Additional Compensation:** None\*

*\*Refer to Other Financial Affiliations in part 2A of this brochure for information on commissions paid to the affiliated broker dealer, ECM Securities Corp.*

**Supervision:**

Jeff Evans compliance-related activities are supervised by Arthur A. Laneve, CCO. Art reviews Jeff's investment advisory work through frequent office interactions.

Art Laneve's contact information: (814)868-7551, [aalaneve@ecmnet.com](mailto:aalaneve@ecmnet.com)

**Arthur A. Laneve, CPA, CFP®**

**Birthdate - 12/13/1951**

**Education Background and Business Experience:**

Art is Treasurer and a minority shareholder in firm. Art graduated from Gannon University, Erie, PA in 1973 with a Bachelor in Accounting and joined Evans Capital Management, Inc. in November 2002. He is heavily involved in all areas of comprehensive financial planning, including retirement projections, investment management, estate and income tax planning and insurance evaluations. Prior to joining ECM, Art spent 2 years as a registered representative with Lincoln Financial Advisors, concentrating on financial planning for high net worth individuals. From 1984 through 2000, he was the CFO for Team Dispatch, with experience in labor negotiations, employee benefit programs and risk management in addition to his duties in the financial area. Art was employed by Root, Spitznas and Smiley CPA's in Erie as a manager in the income tax department from 1973 to 1981.

**Disciplinary Information:** None

**Other Business Activities and Registrations:**

- Certified Public Accountant (CPA).
- Personal Financial Specialist (PFS).
- CERTIFIED FINANCIAL PLANNER (CFP®).
- Registered Representative with ECM Securities Corp.
- FINRA Full Registration/General Securities Representative (Series 7).
- FINRA General Securities Principal (Series 24).
- FINRA Introducing Broker Financial Operations Principal (Series 28).
- PA Uniform Securities Agent State Law Exam (Series 63).
- Insurance License with various states, including PA and AZ.

**Other Professional Activities:**

Member: American Institute of CPA's, PA Institute of CPA's and Estate Planning Council of Erie

**Additional Compensation:** None\*

*\*Refer to Other Financial Affiliations in part 2A of this brochure for information on commissions paid to the affiliated broker dealer, ECM Securities Corp.*

**Supervision:**

Art Laneve's compliance-related activities are supervised by Jeffrey W. Evans, CEO. Jeff reviews Art's investment advisory work through frequent office interactions.

Jeff Evans's contact information: (814) 868-7551, [jwevans@ecmnet.com](mailto:jwevans@ecmnet.com)

**Steven T. Erhartic, CFA**

**Birthdate - 4/2/1975**

**Education Background and Business Experience:**

Steve is Secretary and a minority shareholder in the firm. He graduated from Loyola College, Baltimore, MD with a Bachelor in Business Administration in 1997 and joined Evans Capital Management, Inc. in December 2005. Steve conducts research on investment managers, mutual funds, equity and fixed income securities, and other assorted financial instruments. Steve also serves on the firm's asset allocation committee, and assists in day-to-day management and reporting of client portfolios. Prior to joining Evans Capital Management, Steve worked for Legg Mason Wood Walker, where he was most recently employed as an Associate Analyst covering the software industry. Prior to that he was a Senior Mutual Fund Analyst and Portfolio Manager overseeing in excess of \$400 million in discretionary assets. Steve also worked for T. Rowe Price Associates from 1997 – 2002.

**Disciplinary Information:** None

**Other Business Activities and Registrations:**

- Chartered Financial Analyst (CFA).
- Registered Representative with ECM Securities, Inc.
- FINRA Investment Company Products/Variable Contracts Limited Rep. (Series 6).
- FINRA Full Registration/General Securities Representative (Series 7).
- FINRA General Securities Principal (Series 24).
- Uniform Securities Agent State Law Exam (Series 63).
- Uniform Investment Advisor Law Exam (Series 65).

**Other Professional Activities:**

Member: CFA Institute, Cleveland CFA Society and American Mensa

**Additional Compensation:** None\*

*\*Refer to Other Financial Affiliations in part 2A of this brochure for information on commissions paid to the affiliated broker dealer, ECM Securities Corp.*

**Supervision:**

Steve Erhartic's compliance-related activities are supervised by Arthur A. Laneve, CCO. Art reviews Steve's investment advisory work through frequent office interactions.

Art Laneve's contact information: (814) 868-7551, [aalaneve@ecmnet.com](mailto:aalaneve@ecmnet.com)

**Shannon L. Morton**

**Birthdate - 8/13/1983**

**Education Background and Business Experience:**

Shannon graduated with honors from Mercyhurst College, Erie, PA in 2005 with a Bachelor of Arts in Finance. She was inducted into the Phi Eta Sigma honor society, as well as the Delta Mu Delta business honor society. Shannon joined Evans Capital Management, Inc. in March of 2004 as a financial planning and securities analyst intern assigned to the asset management division. She has completed the CFP® education program and is preparing to sit for the CERTIFIED FINANCIAL PLANNER examination. Shannon works extensively in the area of comprehensive financial planning and is actively involved in all aspects of the portfolio management process.

**Disciplinary Information:** None

**Other Business Activities and Registrations:**

- Registered Representative with ECM Securities Corp.
- FINRA Full Registration/General Securities Representative (Series 7).
- Uniform Combined Securities Agent-Invest. Advisor State Law Exam (Series 66).
- Insurance License with the state of PA.

**Additional Compensation:** None\*

*\*Refer to Other Financial Affiliations in part 2A of this brochure for information on commissions paid to the affiliated broker dealer, ECM Securities Corp.*

**Supervision:**

Shannon Morton's compliance-related activities are supervised by Arthur A. Laneve, CCO. Art reviews Shannon's investment advisory work through frequent office interactions.

Art Laneve's contact information: (814) 868-7551, [aalaneve@ecmnet.com](mailto:aalaneve@ecmnet.com)

**Mark E. Simpson, CPA, CFP®**

**Birthdate - 5/1/1968**

**Education Background and Business Experience:**

Mark obtained a Bachelor of Arts in Accounting and Finance, magna cum laude, from Mercyhurst College, Erie, PA in 1991 and received his MBA from Penn State – The Behrend College (Erie) in 1996. Mark has been affiliated with ECM Advisors, Inc. as an independent contractor since January 2006. As a CPA, Mark operates his own tax-filing practice and also works as a controller for a non-affiliated company, VertMarkets IT Group. Mark has acquired a number of clients from these activities that also require financial planning and investment management services. Accordingly, Mark works part-time through our firm to offer such services to his clients. Mark's activities with ECM focus primarily on creating financial plans for his clients, while also tapping into ECM's portfolio management expertise and investment research as necessary. He formerly worked as a Trust Tax Officer for PNC Bank from 1994 through 1999, and as Senior Accountant for McMahon, O'Polka, Guelcher & Assoc., Inc. from 1991 to 1994. When time permits, Mark teaches courses on taxes and accounting as an adjunct professor for local area colleges.

**Disciplinary Information:** None

**Other Business Activities and Registrations:**

- Certified Public Accountant (CPA).
- CERTIFIED FINANCIAL PLANNER (CFP®).
- VertMarkets IT Group, Controller.
- Registered Representative with ECM Securities Corp.
- FINRA Full Registration/General Securities Representative (Series 7).
- Uniform Combined Securities Agent-Invest Advisor State Law Exam (Series 66).

**Other Professional Activities:** Member of the Pennsylvania Institute of CPAs.

**Additional Compensation:** Mark receives commissions on revenue paid to ECM Advisors, Inc. or ECM Securities by his clients. (Refer to "Other Compensation" on page 5 of our firm brochure.)

**Supervision:**

Mark Simpson's compliance-related activities are supervised by Arthur A. Laneve, CCO. Art reviews Mark's investment advisory work through frequent office interactions.

Art Laneve's contact information: (814) 868-7551, [aalaneve@ecmnet.com](mailto:aalaneve@ecmnet.com)

## Certified Financial Planner (CFP®):

The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP® (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board’s enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

## **Chartered Financial Analyst (CFA):**

The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals.

There are currently more than 90,000 CFA charterholders working in 134 countries. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

### **High Ethical Standards**

The CFA Institute Code of Ethics and Standards of Professional Conduct, enforced through an active professional conduct program, require CFA charterholders to:

- Place their clients' interests ahead of their own
- Maintain independence and objectivity
- Act with integrity
- Maintain and improve their professional competence
- Disclose conflicts of interest and legal matters

### **Global Recognition**

Passing the three CFA exams is a difficult feat that requires extensive study (successful candidates report spending an average of 300 hours of study per level). Earning the CFA charter demonstrates mastery of many of the advanced skills needed for investment analysis and decision making in today's quickly evolving global financial industry. As a result, employers and clients are increasingly seeking CFA charterholders—often making the charter a prerequisite for employment.

Additionally, regulatory bodies in 22 countries and territories recognize the CFA charter as a proxy for meeting certain licensing requirements, and more than 125 colleges and universities around the world have incorporated a majority of the CFA Program curriculum into their own finance courses.

### **Comprehensive and Current Knowledge**

The CFA Program curriculum provides a comprehensive framework of knowledge for investment decision making and is firmly grounded in the knowledge and skills used every day in the investment profession. The three levels of the CFA Program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management, and wealth planning.

The CFA Program curriculum is updated every year by experts from around the world to ensure that candidates learn the most relevant and practical new tools, ideas, and investment and wealth management skills to reflect the dynamic and complex nature of the profession.

To learn more about the CFA charter, visit [www.cfainstitute.org](http://www.cfainstitute.org).

## **Certified Public Accountant (CPA)**

Certified Public Accountants are licensed and regulated by their state boards of accountancy. While state laws and regulations vary, the education, experience and testing requirements for licensure as a CPA generally include:

- Minimum college education (typically 150 credit hours) with at least a baccalaureate degree and a concentration in accounting.
- Minimum experience levels - most states require at least one year of experience providing services that involve the use of:
  - Accounting
  - Attest
  - Compilation
  - Management advisory
  - Financial advisory
  - Tax or consulting skills

All of which must be achieved under the supervision of or verification by a CPA.

- Successful passage of the Uniform CPA Examination

In order to maintain a CPA license, states generally require the completion of 40 hours of continuing professional education (CPE) each year (80 hours over a two year or 120 hours over a three year period).

Additionally, all American Institute of Certified Public Accountants (AICPA) members are required to follow a rigorous *Code of Professional Conduct* which requires that they act with integrity, objectivity, due care, competence, fully disclose any conflicts of interest (and obtain client consent if a conflict exists), maintain client confidentiality, disclose to the client any commission or referral fees, and serve the public interest when providing financial services. The vast majority of state boards of accountancy have adopted the AICPA's *Code of Professional Conduct* within their state accountancy laws or have created their own.

## **Personal Financial Specialist (PFS)**

The Personal Financial Specialists credential demonstrates that an individual has met the minimum education, experience and testing required of a CPA in addition to a minimum level of expertise in personal financial planning. To attain the PFS credential a candidate must:

- Hold an unrevoked CPA license
- Fulfill 30,000 hours of personal financial planning business experience
- Complete 80 hours of personal financial planning CPE credits
- Pass a comprehensive financial planning exam
- Be an active member of the AICPA.

To maintain their PFS credential, the recipient must complete 60 hours of financial planning CPE credits every three years. The PFS credential is administered through the AICPA. A PFS credential holder is required to adhere to AICPA's *Code of Professional Conduct*, and is encouraged to follow AICPA's *Statement on Responsibilities in Financial Planning Practice*.