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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

Mail Processing  
Section

MAR 01 2017

Washington DC

SEC FILE NUMBER
8-40219

FACING PAGE

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

REPORT FOR THE PERIOD BEGINNING 01/01/16 AND ENDING 12/31/16  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **LEE FINANCIAL SECURITIES, INC.**

OFFICIAL USE ONLY
FIRM I.D. NO.

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

**3113 OLU STREET**

(No. and Street)

**HONOLULU**

**HI**

**96816**

(City)

(State)

(Zip Code)

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

NORA FOLEY

808-988-8088

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

**TAIT, WELLER & BAKER LLP**

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

**1818 MARKET STREET, SUITE 2400 PHILADELPHIA**

**PA**

**19103**

(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, NORA B. FOLEY, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of LEE FINANCIAL SECURITIES, INC. of DECEMBER 31, 2016, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Richard C. Martin
Notary Public State of Delaware
New Castle County
My Commission Expires on July 7, 2018

Nora B. Foley
Signature
CHIEF FINANCIAL OFFICER
Title

Richard Martin
Notary Public

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

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

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

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**To the Board of Directors  
Lee Financial Securities, Inc.  
Honolulu, Hawaii**

We have audited the accompanying statement of financial condition of Lee Financial Securities, Inc. as of December 31, 2016 and the related statements of income, changes in stockholder's equity, and cash flows for the year then ended. These financial statements are the responsibility of Lee Financial Securities, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lee Financial Securities, Inc. as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The supplemental information on pages 3, 4, 6, and 7 has been subjected to audit procedures performed in conjunction with the audit of Lee Financial Securities, Inc.'s financial statements. The supplemental information is the responsibility of Lee Financial Securities, Inc.'s management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Tait Weller Baker LLP*  
TAIT, WELLER & BAKER LLP

**Philadelphia, Pennsylvania  
February 27, 2017**

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	May 31, 2017
Estimated average burden hours per response.....	12.00

# Form X-17A-5

# FOCUS REPORT

(Financial and Operational Combined Uniform Single Report)

## PART IIA 12

*(Please read instructions before preparing Form.)*

This report is being filed pursuant to (Check Applicable Block(s)):

1) Rule 17a-5(a) <input checked="" type="checkbox"/> <b>16</b>	2) Rule 17a-5(b) <input type="checkbox"/> <b>17</b>	3) Rule 17a-11 <input type="checkbox"/> <b>18</b>
4) Special request by designated examining authority <input type="checkbox"/> <b>19</b>	5) Other <input type="checkbox"/> <b>26</b>	

NAME OF BROKER-DEALER	SEC FILE NO.
Lee Financial Securities, Inc. <span style="float: right;"><input type="checkbox"/> <b>13</b></span>	8-40219 <span style="float: right;"><input type="checkbox"/> <b>14</b></span>
ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)	FIRM I.D. NO.
3113 Olu Street <span style="float: right;"><input type="checkbox"/> <b>20</b></span>	23134 <span style="float: right;"><input type="checkbox"/> <b>15</b></span>
<small>(No. and Street)</small>	FOR PERIOD BEGINNING (MM/DD/YY)
Honolulu <span style="float: right;"><input type="checkbox"/> <b>21</b></span> HI <span style="float: right;"><input type="checkbox"/> <b>22</b></span> 96816 <span style="float: right;"><input type="checkbox"/> <b>23</b></span>	01/01/16 <span style="float: right;"><input type="checkbox"/> <b>24</b></span>
<small>(City) (State) (Zip Code)</small>	AND ENDING (MM/DD/YY)
	12/31/16 <span style="float: right;"><input type="checkbox"/> <b>25</b></span>

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT	(Area Code) — Telephone No.
Nora Foley <span style="float: right;"><input type="checkbox"/> <b>30</b></span>	(808) 988-8088 <span style="float: right;"><input type="checkbox"/> <b>31</b></span>
NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:	OFFICIAL USE
<input type="checkbox"/> <b>32</b>	<input type="checkbox"/> <b>33</b>
<input type="checkbox"/> <b>34</b>	<input type="checkbox"/> <b>35</b>
<input type="checkbox"/> <b>36</b>	<input type="checkbox"/> <b>37</b>
<input type="checkbox"/> <b>38</b>	<input type="checkbox"/> <b>39</b>

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES  **40** NO  **41**

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT  **42**

**EXECUTION:**  
The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the 27<sup>th</sup> day of February 20 17

Manual signatures of:

- 1) \_\_\_\_\_  
Principal Executive Officer or Managing Partner
- 2) Nora B. Foley  
Principal Financial Officer or Partner
- 3) \_\_\_\_\_  
Principal Operations Officer or Partner

**ATTENTION** — Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78:f(a))

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**TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

NAME (If individual, state last, first, middle name)

**Tait, Weller & Baker LLP**

70

ADDRESS

1818 Market Street, Suite 2400

71

Philadelphia

72

PA

73

19103

74

Number and Street

City

State

Zip Code

CHECK ONE

Certified Public Accountant

75

Public Accountant

76

Accountant not resident in United States  
or any of its possessions

77

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WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD				
50	51	52	53				

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER 1	Lee Financial Securities, Inc.	N3						100
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## STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

as of (MM/DD/YY)	12/31/16	99
SEC FILE NO.	8-40219	98
	Consolidated	198
	Unconsolidated <input checked="" type="checkbox"/>	199

	<u>Allowable</u>		<u>Non-Allowable</u>		<u>Total</u>
1. Cash .....	24,361	200			24,361
2. Receivables from brokers or dealers:					
A. Clearance account .....		295			
B. Other .....		300	550		810
3. Receivable from non-customers .....		355	600		830
4. Securities and spot commodities owned at market value:					
A. Exempted securities .....		418			
B. Debt securities .....		419			
C. Options .....		420			
D. Other securities .....		424			
E. Spot commodities .....		430			850
5. Securities and/or other investments not readily marketable:					
A. At cost \$ .....	130				
B. At estimated fair value .....		440	610		860
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:					
A. Exempted securities \$ .....	150				
B. Other securities \$ .....	160				
7. Secured demand notes: .....		470	640		890
Market value of collateral:					
A. Exempted securities \$ .....	170				
B. Other securities \$ .....	180				
8. Memberships in exchanges:					
A. Owned, at market \$ .....	190				
B. Owned, at cost .....			650		
C. Contributed for use of the company, at market value .....			660		900
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships .....		480	2,174	670	2,174
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization .....		490	680		920
11. Other assets .....		535	735		930
12. TOTAL ASSETS .....	24,361	540	2,174	740	26,535
					940

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# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER

Lee Financial Securities, Inc.

as of 12/31/16

### STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

#### LIABILITIES AND OWNERSHIP EQUITY

<b>Liabilities</b>	<b>A.I. Liabilities</b>	<b>Non-A.I. Liabilities</b>	<b>Total</b>
13. Bank loans payable .....	\$ 1045	\$ 1255 <sup>13</sup>	\$ 1470
14. Payable to brokers or dealers:			
A. Clearance account .....	1114	1315	1560
B. Other .....	1115 <sup>10</sup>	1305	1540
15. Payable to non-customers .....	1155	1355	1610
16. Securities sold not yet purchased, at market value .....		1360	1620
17. Accounts payable, accrued liabilities, expenses and other .....	1205	1385	1685
18. Notes and mortgages payable:			
A. Unsecured .....	1210		1690
B. Secured .....	1211 <sup>12</sup>	1390 <sup>14</sup>	1700
19. E. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:			
1. from outsiders <sup>9</sup> \$ .....	970		
2. includes equity subordination (15c3-1(d)) of ... \$ .....	980		
B. Securities borrowings, at market value from outsiders \$ .....	990	1410	1720
C. Pursuant to secured demand note collateral agreements .....		1420	1730
1. from outsiders \$ .....	1000		
2. includes equity subordination (15c3-1(d)) of ... \$ .....	1010		
D. Exchange memberships contributed for use of company, at market value .....		1430	1740
E. Accounts and other borrowings not qualified for net capital purposes .....	1220	1440	1750
20. TOTAL LIABILITIES .....	\$ 1230	\$ 1450	\$ 1760
<b><u>Ownership Equity</u></b>			
21. Sole Proprietorship .....			1770 <sup>15</sup>
22. Partnership (limited partners) .....	1020 <sup>11</sup>		1780
23. Corporation:			
A. Preferred stock .....			1791
B. Common stock .....		2,500	1792
C. Additional paid-in capital .....		741,226	1793
D. Retained earnings .....		(717,191)	1794
E. Total .....		26,535	1795
F. Less capital stock in treasury .....			1796 <sup>16</sup>
24. TOTAL OWNERSHIP EQUITY .....		\$ 26,535	1800
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY .....		\$ 26,535	1810

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# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER

Lee Financial Securities, Inc.

as of 12/31/16

### COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition .....	\$	26,535		3480
2. Deduct ownership equity not allowable for Net Capital .....	19	( )		3490
3. Total ownership equity qualified for Net Capital .....		26,535		3500
4. Add:				
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital .....				3520
B. Other (deductions) or allowable credits (List) .....				3525
5. Total capital and allowable subordinated liabilities .....	\$	26,535		3530
6. Deductions and/or charges:				
A. Total non-allowable assets from				
Statement of Financial Condition (Notes B and C) .....	17	\$ 2,174		3540
B. Secured demand note delinquency .....				3590
C. Commodity futures contracts and spot commodities –				
proprietary capital charges .....				3600
D. Other deductions and/or charges .....				3610
		( 2,174 )		3620
7. Other additions and/or allowable credits (List) .....				3630
8. Net capital before haircuts on securities positions .....	20	\$ 24,361		3640
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):				
A. Contractual securities commitments .....	\$			3660
B. Subordinated securities borrowings .....				3670
C. Trading and investment securities:				
1. Exempted securities .....	18			3735
2. Debt securities .....				3733
3. Options .....				3730
4. Other securities .....				3734
D. Undue Concentration .....				3650
E. Other (List) .....				3736
				( ) 3740
10. Net Capital .....	\$	24,361		3750

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The net capital reported in the Company's unaudited FOCUS report agrees with the audited Net Capital reported above.

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER

Lee Financial Securities, Inc.

as of 12/31/16

### COMPUTATION OF NET CAPITAL REQUIREMENT

**Part A**

11. Minimum net capital required (6 $\frac{2}{3}$ % of line 19) .....	\$	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$	5,000 3758
13. Net capital requirement (greater of line 11 or 12) .....	\$	5,000 3760
14. Excess net capital (line 10 less 13) .....	\$	19,361 3770
15. Excess net capital at 1000% (line 10 less 10% of line 19) .....	\$	18,361 3780

### COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition .....	\$	3790
17. Add:		
A. Drafts for immediate credit .....	\$	3800
B. Market value of securities borrowed for which no equivalent value is paid or credited .....	\$	3810
C. Other unrecorded amounts (List) .....	\$	3820
18. Total aggregate indebtedness .....	\$	3830 3840
19. Percentage of aggregate indebtedness to net capital (line 18 ÷ by line 10) .....	%	0.00 3850
20. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d) .....	%	0.00 3860

### COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

**Part B**

21. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits .....	\$	3970
22. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$	3880
23. Net capital requirement (greater of line 21 or 22) .....	\$	3760 3910
24. Excess capital (line 10 less 23) .....	\$	3910
25. Net capital in excess of the greater of:		
A. 5% of combined aggregate debit items or \$120,000 .....	\$	3920

**NOTES:**

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
  1. Minimum dollar net capital requirement, or
  2. 6 $\frac{2}{3}$ % of aggregate indebtedness or 4% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER

**Lee Financial Securities, Inc.**

For the period (MMDDYY) from 12/01/16 3932 to 12/31/16 3933  
 Number of months included in this statement 12 3931

### STATEMENT OF INCOME (LOSS)

**REVENUE**

1.	Commissions:		
	a. Commissions on transactions in exchange listed equity securities executed on an exchange	\$	3935
	b. Commissions on listed option transactions	25	3938
	c. All other securities commissions		1 3939
	d. Total securities commissions		1 3940
2.	Gains or losses on firm securities trading accounts		
	a. From market making in options on a national securities exchange		3945
	b. From all other trading		3949
	c. Total gain (loss)		3950
3.	Gains or losses on firm securities investment accounts		3952
4.	Profit (loss) from underwriting and selling groups	26	3955
5.	Revenue from sale of investment company shares		245,726 3970
6.	Commodities revenue		3990
7.	Fees for account supervision, investment advisory and administrative services		3975
8.	Other revenue		3995
9.	Total revenue	\$	245,727 4030

**EXPENSES**

10.	Salaries and other employment costs for general partners and voting stockholder officers		4120
11.	Other employee compensation and benefits		232,207 4115
12.	Commissions paid to other broker-dealers		4140
13.	Interest expense		4075
	a. Includes interest on accounts subject to subordination agreements		4070
14.	Regulatory fees and expenses		10,871 4195
15.	Other expenses		76,045 4100
16.	Total expenses	\$	319,123 4200

**NET INCOME**

17.	Income (loss) before Federal income taxes and items below (Item 9 less Item 16)	\$	(73,396) 4210
18.	Provision for Federal income taxes (for parent only)	28	4220
19.	Equity in earnings (losses) of unconsolidated subsidiaries not included above		4222
	a. After Federal income taxes of		4338
20.	Extraordinary gains (losses)		4224
	a. After Federal income taxes of		4239
21.	Cumulative effect of changes in accounting principles		4225
22.	Net income (loss) after Federal income taxes and extraordinary items	\$	(73,396) 4230

**MONTHLY INCOME**

23.	Income (current month only) before provision for Federal income taxes and extraordinary items	\$	4211
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**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

BROKER OR DEALER

**Lee Financial Securities, Inc.**

For the period (MMDDYY) from 01/01/16 to 12/31/16

**STATEMENT OF CHANGES IN OWNERSHIP EQUITY  
(SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)**

1. Balance, beginning of period .....	\$	99,931	4240
A. Net income (loss) .....		(73,396)	4250
B. Additions (Includes non-conforming capital of .....	\$	4262	4260
C. Deductions (Includes non-conforming capital of .....	\$	4272	4270
2. Balance, end of period (From item 1800) .....	\$	26,535	4290

**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED  
TO CLAIMS OF GENERAL CREDITORS**

3. Balance, beginning of period .....	\$		4300
A. Increases .....			4310
B. Decreases .....			4320
4. Balance, end of period (From item 3520) .....	\$		4330

OMIT PENNIES

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER	Lee Financial Securities, Inc.	as of 12/31/16
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### EXEMPTIVE PROVISION UNDER RULE 15c3-3

24. If an exemption from Rule 15c3-1 is claimed, identify below the section upon which such exemption is based (check one only)
- |   |                                     |      |
|---|-------------------------------------|------|
| A. (k)(1) — \$2,500 capital category as per Rule 15c3-1 .....   | <input checked="" type="checkbox"/> | 4550 |
| B. (k)(2)(A) — "Special Account for the Exclusive Benefit of customers" maintained .....  | <input type="checkbox"/>            | 4560 |
| C. (k)(2)(B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis.<br>Name of clearing firm <sup>30</sup> ..... | <input type="checkbox"/>            | 4570 |
| D. (k)(3) — Exempted by order of the Commission (include copy of letter) .....  | <input type="checkbox"/>            | 4580 |

### Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposed Withdrawal or Accrual (See below for code)	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (Yes or No)	
31	4600	4601	4602	4603	4604	4605
32	4610	4611	4612	4613	4614	4615
33	4620	4621	4622	4623	4624	4625
34	4630	4631	4632	4633	4634	4635
35	4640	4641	4642	4643	4644	4645
			Total \$ <sup>35</sup>	4699		

**OMIT PENNIES**

Instructions: Detail Listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and anticipated accruals which would cause a reduction of Net Capital. These anticipated accruals would include amounts of bonuses, partners' drawing accounts, taxes, and interest on capital, voluntary contributions to pension or profit sharing plans, etc., which have not been deducted in the computation of Net Capital, but which you anticipate will be paid within the next six months.

WITHDRAWAL CODE:	DESCRIPTIONS
1.	Equity Capital
2.	Subordinated Liabilities
3.	Accruals

LEE FINANCIAL SECURITIES, INC.

STATEMENT OF CASH FLOWS

Year ended December 31, 2016

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INCREASE (DECREASE) IN CASH

<i>Cash flows from operating activities</i>	
Commissions and other fees received	\$ 326,355
Salaries and other expenses paid	<u>(319,123)</u>
Net cash provided by operating activities	<u>7,232</u>

Net increase in cash 7,232

<i>Cash</i>	
Beginning of year	<u>17,129</u>
End of year	<u>\$24,361</u>

RECONCILIATION OF NET LOSS TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES

<i>Net loss</i>	\$ (73,396)
Decrease in accounts receivable from affiliate	<u>80,628</u>
<i>Net cash provided by operating activities</i>	<u>\$ 7,232</u>

# LEE FINANCIAL SECURITIES, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *NATURE OF ORGANIZATION*

Lee Financial Securities, Inc. (the "*Company*"), a Hawaii Corporation, was formed on May 13, 1988, and is a wholly-owned subsidiary of Lee Financial Group Hawaii, Inc., an investment management services organization. The Company is registered as a general securities broker-dealer with the Securities and Exchange Commission.

The Company has a distribution agreement with Lee Financial Mutual Fund, Inc. (the "*Fund*"), a non-diversified, open-end, management investment company. Pursuant to Rule 12b-1 of the Investment Company Act of 1940, a distribution plan adopted by the Fund reimburses the Company for certain expenses incurred in distributing the Fund's shares.

#### *INCOME TAXES*

The Company is included in the consolidated federal and state income tax returns of its parent. Income taxes are provided for on a separate return basis only to the extent that income tax expense (credit) is incurred by the consolidated group. Although income tax expense was incurred by the consolidated group for the year ended December 31, 2016, no provision was allocated, due to the net loss incurred by the Company for the year.

Management has analyzed the Company's tax positions and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on federal, state and local income tax returns for open years (2013 – 2015) or expected to be taken on the Company's 2016 tax return.

#### *USE OF ESTIMATES*

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of income and expenses during the reported period. Actual results could differ from those estimates.

#### *FAIR VALUE OF FINANCIAL INSTRUMENTS*

The carrying amounts of cash, commissions receivable, and accrued expenses approximate fair value because of the short maturity of these items.

#### *SUBSEQUENT EVENTS*

Subsequent events after the balance sheet date through the date that the financial statements were issued have been evaluated in the preparation of the financial statements. Based on that evaluation, Management has determined that no subsequent events have occurred which would require disclosure in the financial statements.

#### *OTHER*

Customers' securities transactions are reported on a settlement date basis with related commission income and expenses reported on a trade date basis.

**LEE FINANCIAL SECURITIES, INC.**

***NOTES TO FINANCIAL STATEMENTS – (Continued)***

**December 31, 2016**

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**(2) REGULATORY REQUIREMENTS**

The Company is exempt from the provisions of Rule 15c3-3 of the Securities Exchange Act of 1934 (reserve requirement for brokers and dealers) in that the Company does not hold funds or securities for customers and it promptly transmits all funds and delivers all securities in connection with its activities as a broker or dealer.

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined, equal to the greater of \$5,000 or 6-2/3% of aggregate indebtedness. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2016, the Company had net capital of \$24,361, and net capital requirements of \$5,000. The percentage of aggregate indebtedness to net capital was 0.00%.

**(3) RELATED PARTIES**

One of the Company's directors serves on the Board of Directors of Lee Financial Mutual Fund, Inc. from which the Company receives a majority of its revenue.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**To the Board of Directors  
Lee Financial Securities, Inc.  
Honolulu, Hawaii**

We have reviewed management's statements, included in the accompanying Lee Financial Securities, Inc.'s Exemption Report, in which (1) Lee Financial Securities, Inc. identified the following provisions of 17 C.F.R. §15c3-3(k) under which Lee Financial Securities, Inc. claimed an exemption from 17 C.F.R. §240.15c3-3(k):(1) (the "exemption provisions") and (2) Lee Financial Securities, Inc. stated that Lee Financial Securities, Inc. met the identified exemption provisions throughout the most recent fiscal year without exception. Lee Financial Securities, Inc.'s management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about Lee Financial Securities, Inc.'s compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(1) of Rule 15c3-3 under the Securities Exchange Act of 1934.



**TAIT, WELLER & BAKER LLP**

**Philadelphia, Pennsylvania  
February 27, 2017**

**Lee Financial Securities, Inc.**  
**Exemption Report**

Lee Financial Securities, Inc. (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240 17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. §240 17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

- (1) The Company claimed an exemption from 17 C.F.R. §240 15c-3-3 under the provisions of 17 C.F.R. §240 15c3-3(k)(1); and
- (2) The Company met the identified exemption provisions in 17 C.F.R. §240 15c3-3(k) throughout the most recent fiscal year without exception.

Lee Financial Securities, Inc.  
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I, Nora B. Foley, swear (or affirm) that, to my best knowledge and belief, this Exemption Report is true and correct.

By: Nora B. Foley  
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Title: Chief Financial Officer  
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Date: February 27, 2017  
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**LEE FINANCIAL SECURITIES, INC.**

***ANNUAL AUDITED REPORT  
FORM X-17A-5***

**DECEMBER 31, 2016**

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