

**Hudson & Lee Wealth Management, Inc.**

7390 Ridgcrest Ct.  
Birmingham, AL 35242

(205) 706-6245

This brochure provides information about the qualifications and business practices of Hudson & Lee Wealth Management, Inc. ("Hudson & Lee"). If you have any questions about the contents of this brochure, please contact us at (205) 706-6245 or [stevehudson1202@gmail.com](mailto:stevehudson1202@gmail.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state authority.

Additional information about Hudson & Lee also is available on the SEC's website at [www.AdviserInfo.sec.gov](http://www.AdviserInfo.sec.gov).

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## ***Advisory Business***

### **General Information**

Hudson & Lee Wealth Management was formed in 2011, and provides portfolio management services to its clients. At the outset of each client relationship, Hudson & Lee spends time with the client, asking questions, discussing the client's investment experience and financial circumstances, and reviewing options for the client. Based on its reviews, Hudson & Lee generally develops with each client:

- a financial outline for the client based on the client's financial circumstances and goals, and the client's risk tolerance level (the "Financial Profile"); and
- the client's investment objectives and guidelines (the "Investment Plan").

The Financial Profile is a reflection of the client's current financial picture and a look to the future goals of the client. The Investment Plan outlines the types of investments Hudson & Lee will make on behalf of the client in order to meet those goals. The Profile and the Plan are discussed regularly with each client, but are not necessarily written documents.

### **Portfolio Management**

As described above, at the beginning of a client relationship, Hudson & Lee meets with the client, gathers information and performs research and analysis as necessary to develop the client's Investment Plan. The Investment Plan will be updated from time to time when requested by the client, or when determined to be necessary or advisable by Hudson & Lee based on updates to the client's financial or other circumstances.

To implement the client's Investment Plan, Hudson & Lee will manage the client's investment portfolio on a discretionary basis. As a discretionary investment adviser, Hudson & Lee will have the authority to supervise and direct the portfolio without prior consultation with the client.

Notwithstanding the foregoing, clients may impose certain written restrictions on Hudson & Lee in the management of their investment portfolios, such as prohibiting the inclusion of certain types of investments (e.g., "sin stocks") in an investment portfolio or prohibiting the sale of certain investments held in the account at the commencement of the relationship. Each client should note, however, that restrictions imposed by a client may adversely affect the composition and performance of the client's investment portfolios. Each client should also note that his or her investment portfolio is treated individually by giving consideration to each purchase or sale for the client's account. For these and other reasons, performance of client investment portfolios within the same investment objectives, goals and/or risk tolerance may differ and clients should not expect that the composition or performance of their investment portfolios would necessarily be consistent with similar clients of Hudson & Lee.

### **Separate Account Managers**

When appropriate and in accordance with the Investment Plan for a client, Hudson & Lee may utilize one or more Separate Account Managers, each a "Manager". Having access to various Managers offers a wide variety of manager styles, and offers clients the opportunity to utilize more than one Manager if necessary to meet the needs and investment objectives of the client. Hudson & Lee will usually select the Manager(s) it deems most appropriate for the client. Factors that Hudson & Lee considers in recommending/selecting Managers generally includes the client's stated investment objective(s), management style, performance, risk level, reputation, financial strength, reporting, pricing, and research.

The Manager(s) will be granted discretionary trading authority to provide investment supervisory services for the portfolio, but Hudson & Lee normally retains the authority to terminate the Manager's relationship or to add new Managers without specific client consent. With respect to assets managed by a Manager, Hudson & Lee's role will be to monitor the overall financial situation of the client, to monitor the investment approach and performance of the Manager(s), and to assist the client in understanding the investments of the portfolio.

Clients are responsible for paying the Managers' fees, which are separate from and in addition to fees assessed by Hudson & Lee and brokerage expenses charged by the broker/dealer providing custodial and/or execution services.

#### Principal Owners

Karen H. Hudson is the principal owner of Hudson & Lee.

#### Type and Value of Assets Currently Managed

Hudson & Lee is a newly formed Registered Investment Advisory firm and does not currently have any assets under management.

#### ***Fees and Compensation***

##### General Fee Information

Fees paid to Hudson & Lee are exclusive of all custodial and transaction costs paid to the client's custodian, brokers or other third party consultants. Fees paid to Hudson & Lee are also separate and distinct from the fees and expenses charged by mutual funds, ETFs (exchange traded funds) or other investment pools to their shareholders (generally including a management fee and fund expenses, as described in each fund's prospectus or offering materials). The client should review all fees charged by funds, brokers, Hudson & Lee and others to fully understand the total amount of fees paid by the client for investment and financial-related services.

##### Portfolio Management Fees

The annual fee schedule, based on a percentage of assets under management, is as follows:

First \$1,000,000	1.50%
Next \$4,000,000	1.25%
Next \$5,000,000	1.00%
Balance over \$10,000,000	Negotiable

The minimum portfolio value is generally set at \$1,000,000. The minimum annual fee for any account is \$10,000. Hudson & Lee may, at its discretion, make exceptions to the foregoing schedule and the fees may be higher or lower depending on the scope of services offered by Hudson & Lee.

Portfolio management fees are generally payable quarterly, in advance. If management begins after the start of a quarter, fees will be prorated accordingly. Fees are normally debited directly from client account(s), unless other arrangements are made.

Either Hudson & Lee or the client may terminate their Investment Management Agreement at any time, subject to any written notice requirements in the agreement. In the event of termination, any paid but unearned fees will be promptly refunded to the client, and any fees due to Hudson & Lee from the client will be invoiced or deducted from the client's account prior to termination.

### Other Compensation

Certain of Hudson & Lee's employees are also licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully disclosed commission basis, the purchase of certain insurance products. While Hudson & Lee does not sell such insurance products to its investment advisory clients, Hudson & Lee does permit its employees, in their individual capacities as licensed insurance agents, to sell insurance products to its investment advisory clients. A conflict of interest exists to the extent that Hudson & Lee recommends the purchase of insurance products where our employees receive insurance commissions or other additional compensation.

### ***Performance-Based Fees and Side-By-Side Management***

Hudson & Lee does not have any performance-based fee arrangements. "Side by Side Management" refers to a situation in which the same firm manages accounts that are billed based on a percentage of assets under management and at the same time manages other accounts for which fees are assessed on a performance fee basis. Because Hudson & Lee has no performance-based fee accounts, it has no side-by-side management.

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

Hudson & Lee serves individuals, pension and profit-sharing plans, corporations, trusts, estates and charitable organizations. With some exceptions, the minimum portfolio value eligible for conventional investment advisory services is \$1,000,000, and the annual minimum fee charged is \$10,000. Under certain circumstances and in its sole discretion, Hudson & Lee may negotiate such minimums.

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

#### Methods of Analysis

In accordance with the Investment Plan, Hudson & Lee will primarily invest in stocks, mutual funds, ETF's, structured notes and CD's.

In selecting individual stocks for an account, Hudson & Lee generally applies traditional fundamental analysis including, without limitation, the following factors:

- Financial strength ratios;
- Price-to-earnings ratios;
- Dividend yields; and
- Growth rate-to-price earnings ratios

Hudson & Lee will incorporate other methods of analysis, such as:

**Charting Analysis** – involves gathering and processing price and volume information for a particular security. Hudson & Lee's charting analysis includes, without limitation:

- mathematical analysis;
- graphing charts; and estimations of future price movements based on perceived patterns and trends.

**Technical Analysis** – involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.

Mutual funds and ETFs are generally evaluated and selected based on a variety of factors, including, as applicable and without limitation, past performance, fee structure, portfolio manager, fund sponsor, overall ratings for safety and returns, and other factors.

Fixed income investments may be used as a strategic investment, as an instrument to fulfill liquidity or income needs in a portfolio, or to add a component of capital preservation. Hudson & Lee may evaluate and select individual bonds or bond funds based on a number of factors including, without limitation, rating, yield and duration.

Investment Strategies:

Hudson & Lee's strategic approach is to invest each portfolio in accordance with the Plan that has been developed specifically for each client. This means that the following strategies may be used in varying combinations over time for a given client, depending upon the client's individual circumstances.

Long Term Purchases – securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

Short Term Purchases – securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short term price fluctuations.

Options Trading/Writing: a securities transaction that involves buying or selling (writing) an option. If you write an option, and the buyer exercises the option, you are obligated to purchase or deliver a specified number of shares at a specified price at the exercise of the option regardless of the market value of the security at expiration of the option. Buying an option gives you the right to purchase or sell a specified number of shares at a specified price until the date of expiration of the option regardless of the market value of the security at expiration of the option.

Risk of Loss

While Hudson & Lee seeks to diversify clients' investment portfolios across various asset classes consistent with their Investment Plans in an effort to reduce risk of loss, all investment portfolios are subject to risks. Accordingly, there can be no assurance that client investment portfolios will be able to fully meet their investment objectives and goals, or that investments will not lose money.

Below is a description of several of the principal risks that client investment portfolios face.

*Management Risks.* While Hudson & Lee manages client investment portfolios based on Hudson & Lee's experience, research and proprietary methods, the value of client investment portfolios will change daily based on the performance of the securities in which they are invested. Accordingly, client investment portfolios are subject to the risk that Hudson & Lee allocates assets to asset classes that are adversely affected by unanticipated market movements, and the risk that Hudson & Lee's specific investment choices could underperform their relevant indexes.

*Risks of Investments in Mutual Funds, ETFs and Other Investment Pools.* As described above, Hudson & Lee may invest client portfolios in mutual funds, ETFs and other investment pools ("pooled

investment funds”). Investments in pooled investment funds are generally less risky than investing in individual securities because of their diversified portfolios; however, these investments are still subject to risks associated with the markets in which they invest. In addition, pooled investment funds’ success will be related to the skills of their particular managers and their performance in managing their funds. Pooled investment funds are also subject to risks due to regulatory restrictions applicable to registered investment companies under the Investment Company Act of 1940.

*Equity Market Risks.* Hudson & Lee will generally invest portions of client assets directly into equity investments, primarily stocks, or into pooled investment funds that invest in the stock market. As noted above, while pooled investments have diversified portfolios that may make them less risky than investments in individual securities, funds that invest in stocks and other equity securities are nevertheless subject to the risks of the stock market. These risks include, without limitation, the risks that stock values will decline due to daily fluctuations in the markets, and that stock values will decline over longer periods (e.g., bear markets) due to general market declines in the stock prices for all companies, regardless of any individual security’s prospects.

*Fixed Income Risks.* Hudson & Lee will invest portions of client assets directly into fixed income instruments, such as bonds and notes, or may invest in pooled investment funds that invest in bonds and notes. While investing in fixed income instruments, either directly or through pooled investment funds, is generally less volatile than investing in stock (equity) markets, fixed income investments nevertheless are subject to risks. These risks include, without limitation, interest rate risks (risks that changes in interest rates will devalue the investments), credit risks (risks of default by borrowers), or maturity risk (risks that bonds or notes will change value from the time of issuance to maturity).

*Foreign Securities Risks.* Hudson & Lee may invest portions of client assets into pooled investment funds that invest internationally. While foreign investments are important to the diversification of client investment portfolios, they carry risks that may be different from U.S. investments. For example, foreign investments may not be subject to uniform audit, financial reporting or disclosure standards, practices or requirements comparable to those found in the U.S. Foreign investments are also subject to foreign withholding taxes and the risk of adverse changes in investment or exchange control regulations. Finally, foreign investments may involve currency risk, which is the risk that the value of the foreign security will decrease due to changes in the relative value of the U.S. dollar and the security’s underlying foreign currency.

### ***Disciplinary Information***

Hudson & Lee has no disciplinary events to report.

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

Neither Hudson & Lee nor its Management Person has any other financial industry activities or affiliations to report.

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

#### **Code of Ethics and Personal Trading**

Hudson & Lee has adopted a Code of Ethics (“the Code”), the full text of which is available to you upon request. Hudson & Lee’s Code has several goals. First, the Code is designed to assist Hudson & Lee in complying with applicable laws and regulations governing its investment advisory

business. Under the Investment Advisers Act of 1940, Hudson & Lee owes fiduciary duties to its clients. Pursuant to these fiduciary duties, the Code requires Hudson & Lee associated persons to act with honesty, good faith and fair dealing in working with clients. In addition, the Code prohibits associated persons from trading or otherwise acting on insider information.

Next, the Code sets forth guidelines for professional standards for Hudson & Lee's associated persons (managers, officers and employees). Under the Code's Professional Standards, Hudson & Lee expects its associated persons to put the interests of its clients first, ahead of personal interests. In this regard, Hudson & Lee associated persons are not to take inappropriate advantage of their positions in relation to Hudson & Lee clients.

Third, the Code sets forth policies and procedures to monitor and review the personal trading activities of associated persons. From time to time Hudson & Lee's associated persons may invest in the same securities recommended to clients. Under its Code, Hudson & Lee has adopted procedures designed to reduce or eliminate conflicts of interest that this could potentially cause. The Code's personal trading policies include procedures for limitations on personal securities transactions of associated persons, reporting and review of such trading and pre-clearance of certain types of personal trading activities. These policies are designed to discourage and prohibit personal trading that would disadvantage clients. The Code also provides for disciplinary action as appropriate for violations.

#### Participation or Interest in Client Transactions

Because associated persons may invest in the same securities as those purchased in client accounts, Hudson & Lee has established a policy requiring its associated persons to pre-clear transactions in these securities with the Chief Compliance Officer. The goal of this policy is to avoid any conflict of interest that may present itself in these situations. Certain securities, such as CD's, treasury obligations and open-end mutual funds are exempt from this pre-clearance requirement. However, in the event of other identified potential trading conflicts of interest, Hudson & Lee's goal is to place client interests first.

Consistent with the foregoing, Hudson & Lee maintains policies regarding participation in initial public offerings (IPOs) and private placements in order to comply with applicable laws and avoid conflicts with client transactions. If a Hudson & Lee associated person wishes to participate in an IPO or invest in a private placement, he or she must submit a pre-clearance request and obtain the approval of the Chief Compliance Officer. If associated persons trade with client accounts (e.g., in a bundled or aggregated trade), and the trade is not filled in its entirety, the associated person's shares will be removed from the block, and the balance of shares will be allocated among client accounts in accordance with Hudson & Lee's written policy.

#### ***Brokerage Practices***

##### Best Execution and Benefits of Brokerage Selection

When given discretion to select the brokerage firm that will execute orders in client accounts, Hudson & Lee seeks "best execution" for client trades, which is a combination of a number of factors, including, without limitation, quality of execution, services provided and commission rates. Therefore, Hudson & Lee may use or recommend the use of brokers who do not charge the lowest available commission in the recognition of research and securities transaction services, or quality of execution. Research services received with transactions may include proprietary or third party research (or any combination), and may be used in servicing any or all of Hudson & Lee's clients.

Therefore, research services received may not be used for the account for which the particular transaction was effected.

Hudson & Lee participates in the Schwab Institutional ("SI") service program. While there is no direct link between the investment advice Hudson & Lee provides and participation in the SI program, Hudson & Lee receives certain economic benefits from the SI program. These benefits may include software and other technology that provides access to client account data (such as trade confirmations and account statements), facilitates trade execution (and allocation of aggregated orders for multiple client accounts), provides research, pricing information and other market data, facilitates the payment of Hudson & Lee's fees from its clients' accounts, and assists with back-office functions, recordkeeping and client reporting. Many of these services may be used to service all or a substantial number of Hudson & Lee's accounts, including accounts not held at Schwab. Schwab may also make available to Hudson & Lee other services intended to help Hudson & Lee manage and further develop its business. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services to be rendered to Hudson & Lee by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services, pay all or a part of the fees of a third-party providing these services to Hudson & Lee, and/or Schwab may pay for travel expenses relating to participation in such training. Finally, participation in SI provides Hudson & Lee with access to mutual funds which normally require significantly higher minimum initial investments or are normally available only to institutional investors.

The benefits received through participation in the SI program do not necessarily depend upon the proportion of transactions directed to Schwab. The benefits are received by Hudson & Lee, in part because of commission revenue generated for Schwab by Hudson & Lee's clients. This means that the investment activity in client accounts is beneficial to Hudson & Lee, because Schwab does not assess a fee to Hudson & Lee for these services. This creates an incentive for Hudson & Lee to continue to recommend Schwab to its clients. While it may be possible to obtain similar custodial, execution and other services elsewhere at a lower cost, Hudson & Lee believes that Schwab provides an excellent combination of these services.

#### Directed Brokerage

Clients may direct Hudson & Lee to use a particular broker for custodial or transaction services on behalf of the client's portfolio. In directed brokerage arrangements, the client is responsible for negotiating the commission rates and other fees to be paid to the broker. Accordingly, a client who directs brokerage should consider whether such designation may result in certain costs or disadvantages to the client, either because the client may pay higher commissions or obtain less favorable execution, or the designation limits the investment options available to the client.

The arrangement that Hudson & Lee has with Schwab is designed to maximize efficiency and to be cost effective. By directing brokerage arrangements, the client acknowledges that these economies of scale and levels of efficiency are generally compromised when alternative brokers are used. While every effort is made to treat clients fairly over time, the fact that a client chooses to use the brokerage and/or custodial services of these alternative service providers may in fact result in a certain degree of delay in executing trades for their account(s) and otherwise adversely affect management of their account(s).

By directing Hudson & Lee to use a specific broker or dealer, clients who are subject to ERISA confirm and agree with Hudson & Lee that they have the authority to make the direction, that there



are no provisions in any client or plan document which are inconsistent with the direction, that the brokerage and other goods and services provided by the broker or dealer through the brokerage transactions are provided solely to and for the benefit of the client's plan, plan participants and their beneficiaries, that the amount paid for the brokerage and other services have been determined by the client and the plan to be reasonable, that any expenses paid by the broker on behalf of the plan are expenses that the plan would otherwise be obligated to pay, and that the specific broker or dealer is not a party in interest of the client or the plan as defined under applicable ERISA regulations.

#### Aggregated Trade Policy

Hudson & Lee may enter trades as a block where possible and when advantageous to clients whose accounts have a need to buy or sell shares of the same security. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rata basis between all accounts included in any such block. Block trading allows Hudson & Lee to execute equity trades in a timelier, equitable manner, and may reduce overall costs to clients.

Hudson & Lee will only aggregate transactions when it believes that aggregation is consistent with its duty to seek best execution (which includes the duty to seek best price) for its clients, and is consistent with the terms of Hudson & Lee's Investment Advisory Agreement with each client for which trades are being aggregated. No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all Hudson & Lee's transactions in a given security on a given business day, with transaction costs generally shared pro-rata based on each client's participation in the transaction. On occasion, owing to the size of a particular account's pro rata share of an order or other factors, the commission or transaction fee charged could be above or below a breakpoint in a pre-determined commission or fee schedule set by the executing broker, and therefore transaction charges may vary slightly among accounts. Accounts may be excluded from a block due to tax considerations, client direction or other factors making the account's participation ineligible or impractical.

Hudson & Lee will prepare, before entering an aggregated order, a written statement ("Allocation Statement") specifying the participating client accounts and how it intends to allocate the order among those clients. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the Allocation Statement. If the order is partially filled, it will generally be allocated pro-rata, based on the Allocation Statement, or randomly in certain circumstances. Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment, and the reason for different allocation is explained in writing and is approved by an appropriate individual/officer of Hudson & Lee. Hudson & Lee's books and records will separately reflect, for each client account included in a block trade, the securities held by and bought and sold for that account. Funds and securities of clients whose orders are aggregated will be deposited with one or more banks or broker-dealers, and neither the clients' cash nor their securities will be held collectively any longer than is necessary to settle the transaction on a delivery versus payment basis; cash or securities held collectively for clients will be delivered out to the custodian bank or broker-dealer as soon as practicable following the settlement, and Hudson & Lee will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation.

### ***Review of Accounts***

Managed portfolios are reviewed at least quarterly, but may be reviewed more often if requested by the client, upon receipt of information material to the management of the portfolio, or at any time such review is deemed necessary or advisable by Hudson & Lee. Karen H. Hudson, President, reviews all accounts.

Account custodians are responsible for providing monthly or quarterly account statements which reflect the positions (and current pricing) in each account as well as transactions in each account, including fees paid from an account. Account custodians also provide prompt confirmation of all trading activity, and year-end tax statements, such as 1099 forms. In addition, Hudson & Lee provides a quarterly report for each managed portfolio. This written report normally includes a summary of portfolio holdings and performance results. Additional reports are available at the request of the client.

### ***Client Referrals and Other Compensation***

As noted above, Hudson & Lee may receive some benefits from Schwab based on the amount of client assets held at Schwab. Please see ***“Brokerage Practices”*** for more information. However, neither Schwab nor any other party is paid to refer clients to Hudson & Lee.

### ***Custody***

Schwab is the custodian of nearly all client accounts at Hudson & Lee. From time to time however, clients may select an alternate broker to hold accounts in custody. In any case, it is the custodian's responsibility to provide clients with confirmations of trading activity, tax forms and at least quarterly account statements. Clients are advised to review this information carefully, and to notify Hudson & Lee of any questions or concerns. Clients are also asked to promptly notify Hudson & Lee if the custodian fails to provide statements on each account held.

From time to time and in accordance with Hudson & Lee's agreement with clients, Hudson & Lee will provide additional reports. The account balances reflected on these reports should be compared to the balances shown on the brokerage statements to ensure accuracy. At times there may be small differences due to the timing of dividend reporting, pending trades or other similar issues.

### ***Investment Discretion***

As described above under ***“Advisory Business”***, Hudson & Lee manages portfolios on a discretionary basis. This means that after an Investment Plan is developed for the client's investment portfolio, Hudson & Lee will execute that plan without specific consent from the client for each transaction. For discretionary accounts, a Limited Power of Attorney (“LPOA”) is executed by the client, giving Hudson & Lee the authority to carry out various activities in the account, generally including the following: trade execution; the ability to request checks on behalf of the client; and, the withdrawal of advisory fees directly from the account. Hudson & Lee then directs investment of the client's portfolio using its discretionary authority. The client may limit the terms of the LPOA to the extent consistent with the client's investment advisory agreement with Hudson & Lee and the requirements of the client's custodian. The discretionary relationship is further described in the agreement between Hudson & Lee and the client.

***Voting Client Securities***

As a policy and in accordance with Hudson & Lee's client agreement, Hudson & Lee does not vote proxies related to securities held in client accounts. The custodian of the account will normally provide proxy materials directly to the client. Clients may contact Hudson & Lee with questions relating to proxy procedures and proposals; however, Hudson & Lee generally does not research particular proxy proposals.

***Financial Information***

Hudson & Lee does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore has no disclosure with respect to this item.