

## **David M. Lee, P.C.**

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This brochure provides information about the qualifications and business practices of David M. Lee, P.C. If you have any questions about the contents of this brochure, please contact us at (713) 773-1100 and/or david.lee@davidmleepc.com. We are available by appointment. 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. David M. Lee, P.C. is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about David M. Lee, P.C. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Material Changes**

This section of the Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website. The last update of this brochure was in January 2020.

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## ITEM 4 - ADVISORY BUSINESS

### Advisory Firm Description

David M. Lee, P.C. (the "Firm") has been in business since January 1990. The principal owner is David Michael Lee.

### Types of Advisory Services

The Firm provides its clients with a complete array of financial services to meet their individual needs and circumstances. These services include financial planning on a one-time or ongoing basis, investment management and accounting services.

The Firm assists the client and/or client's appointed representatives, such as attorneys, brokers, bankers, etc., in the management of the client's financial assets.

The services include the following:

- Review of financial goals and resources, providing alternatives for achieving goals
- Implementing the investment recommendations
- Monitoring the investments and making adjustments as necessary
- Selection, purchase and sale of appropriate investments, including mutual funds, for the portfolio
- Telephone and email support
- Tax preparation support
- Annual consolidated reports and gain and loss reports for taxable accounts

Direct investment management services are provided on a twelve-month basis, beginning with the date of the execution of the Financial Planning Engagement Letter.

### Tailored Advisory Services

Clients may impose restrictions on the firm from purchasing or selling a particular security or trading in a particular sector by advising the Firm in writing. These restrictions may also be changed by informing the Firm in writing.

### Client Assets Under Management

At March 2020, the Firm had \$22,305,692 of non-discretionary assets under management.

## ITEM 5 - FEES AND COMPENSATION

### Financial Planning Fees:

Financial planning fees are charged on a fixed-fee basis, and are negotiable, depending upon the complexity of the client's situation and on the array of services of the Firm the client selects. Fees are estimated based on number of hours multiplied by \$150/hour and have a cap of \$2,500. Estimates are provided to the client at the time the agreement is executed and are due and billed immediately upon presentation of the plan

document. Plans may be comprehensive or may entail a particular aspect of concern to the client, such as estimating retirement requirements.

**Investment Management Fees:**

The fee for asset management is set between 0.10% per year and 1% per year, depending upon the asset mix, the size of the account, the frequency of rebalancing, and reporting requirements of the client. Fees are negotiated on a case-by-case basis, so clients receiving the same service from the Firm may be paying different fees. On occasion, the Firm may negotiate a flat fee for investment management services. Fees are charged monthly or quarterly in advance and are deducted from the client's account with the client's prior written permission.

Fee percentages are applied to assets under management as reported by the custodian at market close of the last day of the prior quarter. Pending trades and accrued interest are included in the base for the calculation as well. The initial fee is based on the value of the account when it is fully funded (or all assets have transferred) and is prorated to the end of the month.

The annual fee generally is separate from transaction, exchange, wire transfer, margin interest or account fees charged by the custodian. When the Firm recommends a mutual fund for a client's account, three separate fees may be charged to the client, either directly or indirectly. The first fee is the Firm's investment management fee where the fund is included in the asset base for the quarterly fee calculation. The second is the set of internal fees charged by the investment company for the fund's investment management, marketing, administration and marketing assistance. These internal expenses are disclosed in each fund's prospectus which is provided to each client by the custodian. (This set of fees also applies to any money market fund purchased in the client's account.) The third fee may be a transaction fee which is assessed by the custodian for its service of providing access to a universe of mutual fund families through one account. To avoid such fees a client would be required to open a separate account with each individual mutual fund company instead of using the custodian recommended by the Firm, which would also negatively affect the Firm's ability to deliver its services efficiently. Not all mutual fund trades enacted by the Firm incur this transaction fee. When recommending mutual funds for client portfolios, the Firm only recommends no-load funds.

**Termination**

The Agreement allows for either party to terminate the agreement immediately upon receipt of written notice. Fees will accrue to date of written notice. Any prepaid and unearned fees will be refunded to the client on a pro rata basis. The client may terminate the Agreement without penalty within five (5) business days after entering the Agreement.

<b>ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT</b>
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This section does not apply to the Firm because it does not charge performance-based fees.

## **ITEM 7 - TYPES OF CLIENTS**

The Firm provides investment advisory services to:

- Individuals
- High net worth individuals
- Pension and profit-sharing plans
- Trusts, estates or charitable organizations

The minimum investment requirement is \$250,000, although exceptions are made at the discretion of Mr. Lee.

## **ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

The Firm uses a combination of the following types of analysis in evaluating investments for client accounts. These include, but are not limited to:

- Fundamental—Analysis of financial attributes of a company, such as revenue growth, debt-to-equity ratio, inventory turnover, etc.
- Technical—Analysis which assumes past performance is a predictor of future performance
- Charting—Analysis of charts of past stock performance

The Firm uses the following sources of information in its analysis:

- Financial newspapers and magazines
- Research materials prepared by others
- Corporate rating services
- Annual reports, prospectuses, filings with the Securities and Exchange Commission
- Company press releases

The investment strategies the Firm uses to implement investment advice include:

- Long-term purchases (securities held at least a year)
- Short-term purchases (securities sold within a year)

The Firm does not guarantee the future performance of the account or any specific level of performance, the success of any investment decision or strategy that the Firm may use, or the success of the Firm's overall management of the account. The client understands that investment decisions made for the client's account by the Firm are subject to various market, currency, economic, political and business risks, and that those investment decisions will not always be profitable. The client understands that investing in any security entails risk of loss.

## **ITEM 9 - DISCIPLINARY INFORMATION**

There have been no disciplinary actions against David M. Lee, P.C. or Mr. Lee.

## **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Mr. Lee is also a CPA, spending approximately 65% of his time providing accounting services to his clients, many of whom are also planning and/or investment management clients.

As a fiduciary, David M. Lee, PC has certain legal obligations, including the obligation to act in a clients' best interest. David M. Lee, PC maintains a Business Continuity and Succession Plan and seeks to avoid a disruption of service to clients in the event of an unforeseen loss of key personnel, due to disability or death. To that end, David M. Lee, PC has entered into a succession agreement with Buckingham Asset Management, LLC effective 1-17-13. David M. Lee, PC can provide additional information to any current or prospective client upon request to David M. Lee, President, at 713-773-1100.

## **ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics**

The Firm has adopted a Code of Ethics which describes the general standards of conduct that the Firm expects of all Firm personnel (collectively referred to as "employees") and focuses on three specific areas where employee conduct has the potential to adversely affect the client:

- Misuse of nonpublic information
- Personal securities trading
- Outside business activities

Failure to uphold the Code of Ethics may result in disciplinary sanctions, including termination with the Firm. Any client or prospective client may request a copy of the Firm's Code of Ethics which will be provided at no cost.

The following basic principles guide all aspects of the Firm's business and represent the minimum requirements to which the Firm expects employees to adhere:

- Clients' interests come before employees' personal interests and before the Firm's interests.
- The Firm must fully disclose all material facts about conflicts of interest of which it is aware between itself and clients as well as between Firm employees and clients.
- Employees must operate on the Firm's behalf and on their own behalf consistently with the Firm's disclosures and to manage the impacts of those conflicts.
- The Firm and its employees must not take inappropriate advantage of their positions of trust with or responsibility to clients.
- The Firm and its employees must always comply with all applicable securities laws.

### *Misuse of Nonpublic Information*

The Code of Ethics contains a policy against the use of nonpublic information in conducting business for the Firm. Employees may not convey nonpublic information nor depend upon it in placing personal or clients' securities trades.

### *Personal Securities Trading*

The Firm or individuals associated with the Firm may buy, sell or hold in their personal accounts the same securities the Firm recommends to its clients. Such trades may occur on the same day at the same time receiving average pricing or after the client with the client receiving same or better pricing.

Trading in personal accounts is subject to review and, in some cases, prior approval by the Chief Compliance Officer, Mr. Lee. Investing in IPOs, private placements and trades greater than \$50,000.00 in one ETF in personal accounts must be pre-approved by Mr. Lee.

Employees are required to submit reports of personal securities trades on a quarterly basis, and securities holdings annually. These are reviewed by the Chief Compliance Officer to ensure compliance with the Firm's policies.

### *Outside Business Activities*

Employees are required to report any outside business activities generating revenue. If any are deemed to be in conflict with clients, such conflicts will be fully disclosed, or the employee will be directed to cease this activity.

## **ITEM 12 - BROKERAGE PRACTICES**

Although the Firm may recommend a broker/dealer to serve as custodian for clients' accounts, each client must sign a separate agreement with the custodian. In recommending a custodian, the Firm considers the range and quality of the products the custodian offers, the technical support provided, execution quality, commission rates, the financial responsibility and responsiveness of the custodian to both the Firm and its clients. The Firm enacts all trades through the custodian in an effort to manage transaction costs. The Firm recognizes its responsibility to attain best execution for clients, and evaluates execution in terms of the overall relationship, rather than on a trade by trade basis. The Firm monitors its relationship with the custodian to ensure clients are receiving competitive pricing and transaction fee charges.

The Firm has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides the Firm with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist the Firm in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client

accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Fidelity also offers other services intended to help the Firm manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third-party service providers who provide a wide array of business related services and technology with whom the Firm may contract directly.

The Firm is independently operated and owned and is not affiliated with Fidelity.

Fidelity generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

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

The Firm currently has no formal soft-dollar arrangements, where specific products or services are paid for with soft dollars generated for the Firm by individual trades the Firm places in client accounts. However, Fidelity is providing the Firm with certain brokerage and research products and services that qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act").

### **Brokerage for Client Referrals**

The Firm does not receive referrals from a broker/dealer or third-party providing service.

### **Directed Brokerage**

Clients are directed to open accounts at Fidelity in order for the Firm to manage their assets. Not all advisers require clients to open accounts with a specific custodian.

### **Order Aggregation**

The Firm will generally aggregate brokerage orders for clients and allocate the securities purchased or sold among the participating accounts, with each account receiving the same terms. The proportion in which participating accounts will share transactions will be determined by the portfolio manager(s) on the basis of investment objectives, cash availability, expected cash and liquidity needs and other relevant factors. The overarching principle for that allocation is that no client is intentionally favored over another client that is similarly situated. However, Fidelity charges all participating

accounts as if the trade had been enacted on an account by account basis, so there is no expense advantage to participating in an aggregated order.

### **ITEM 13 - REVIEW OF ACCOUNTS**

Mr. Lee, President, conducts all reviews of managed accounts, which consist of a review of all portfolio holdings in light of each client's investment objective and risk tolerance . Portfolio reviews are conducted as a matter of course at least annually. Additional portfolio reviews may be triggered by events such as a client meeting, change in client's risk tolerance, financial position or investment objective, change in a company or fund's management, unusual market or economic circumstances or other unforeseen event.

Clients of the Firm's financial planning service receive a written plan. Clients of the Firm's investment management service receive annual written reports showing portfolio holdings priced as of period-end and unrealized gains and losses.

### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

The Firm does not participate in client referrals at this time.

### **ITEM 15 - CUSTODY**

Because the Firm generally has the authority to instruct the account custodian to deduct the investment management fee directly from the client's account, this fee deduction is deemed a form of custody by the Securities and Exchange Commission, although all investments and funds are held by an outside custodian. The Firm may direct the movement of funds from one account in the client's name to another such titled account but has no access to funds except for this deduction of management fees.

The Firm has been deemed to have inadvertent custody as a result of the client providing us with Standing Letters of Authorization ("SLOA(s)") to withdraw funds from the client's portfolio account to pay third parties. Notwithstanding that, a surprise examination is not required as we are relying on the conditions set forth in the No-Action letter issued by the Securities and Exchange Commission on February 21, 2017. Pursuant to the conditions set forth in the No-Action Letter, the Firm confirms that (1) the client provides an instruction to the qualified custodian, in writing, that includes the clients signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed; (2) the client authorizes us, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time; (3) the custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the clients authorization, and the custodian provides a transfer of funds notice to the client promptly after each transfer; (4) the client has the ability to terminate or change the instruction to the custodian; (5) we have no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the clients instruction; (6) we maintain records showing that the third party is not a related party of the Firm or located at the same address as the Firm; and (7) the custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

This limited access is monitored by the client through receipt of monthly statements of account holdings and transactions directly from the custodian. These statements show all disbursements from the account during the reporting period, including the withdrawal of management fees for the Firm. Clients also receive statements from other broker/dealers, mutual fund companies or other managers holding or managing clients' assets.

When clients receive their statements from the account custodian, clients should carefully review those statements and take the time to compare them with those they receive from the Firm. If the client finds significant discrepancies, the custodian and the Firm should be notified.

#### **ITEM 16 - INVESTMENT DISCRETION**

The Firm only manages non-discretionary accounts, requiring that clients pre-approve any transactions the Firm places in their accounts.

#### **ITEM 17 - VOTING CLIENT SECURITIES**

The Firm does not vote client securities for its clients. Clients receive proxy material directly from their account custodian by either email or U.S. mail. Clients may address questions concerning a proxy matter to Firm personnel.

#### **ITEM 18 - FINANCIAL INFORMATION**

The Firm is not required to provide financial reports and has no current financial condition that would impede its ability to provide services to its clients.

The Firm does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, therefore have no material additional financial disclosures to make.