

HUDSON

WEALTH | ENTERTAINMENT | VENTURE

a Registered Investment Adviser

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This brochure provides information about the qualifications and business practices of Hudson Valley Wealth Management, Inc. (d/b/a Hudson Companies) (hereinafter “Hudson” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC’s website at www.adviserinfo.sec.gov. The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

Item 2. Material Changes

In this Item, Hudson is required to discuss any material changes that have been made to the brochure since the last annual amendment dated March 22, 2019. The Firm has updated Item 10 to reflect the following:

Affiliate's Receipt of Film and Television Production Fees

Hudson's principal, Christopher J. Conover, is the sole shareholder of Hudson Private Corp. Accordingly, Hudson Private Corp. is affiliate of both Hudson and the Private Fund, Hudson Private LP. Hudson Private Corp. receives fees related to Mr. Conover's role as an Executive Producer for film and television productions. Because Mr. Conover receives compensation related to his interest in Hudson Private Corp., a conflict of interest exists to the extent Hudson has an incentive to recommend investments in films and television productions for which Mr. Conover serves as Executive Producer. Notwithstanding the foregoing, fees related to Mr. Conover's role as an Executive Producer are determined in advance of any client investment in a given film or television production and are not otherwise based on client investments. Furthermore, Hudson has procedures in place whereby it seeks to ensure that all recommendations are made in its clients' best interest regardless of its affiliation with Hudson Private Corp.

The Firm has no additional changes to disclose in relation to this Item.

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Item 4. Advisory Business

Hudson has been in business since October 2008 and is principally owned by Christopher J. Conover.

The Firm was formed to provide individual and high-net-worth clients access to institutional caliber wealth management services, which include investment management, financial planning and consulting. Prior to Hudson rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with Hudson setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”). As of December 31, 2018, Hudson had approximately \$82,884,158 in assets under management, \$79,580,469 of which was managed on a discretionary basis and \$3,303,689 of which was managed on a non-discretionary basis.

While this brochure describes the business of Hudson, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on Hudson’s behalf and is subject to the Firm’s supervision or control.

Financial Planning and Consulting Services

Hudson offers clients a broad range of financial planning and consulting services, which may include any or all of the following functions:

- Business Planning
- Cash Flow Forecasting
- Trust and Estate Planning
- Financial Reporting
- Investment Consulting
- Insurance Planning
- Retirement Planning
- Risk Management
- Charitable Giving
- Distribution Planning
- Tax Planning
- Manager Due Diligence

These services are typically rendered as part of a standard investment management relationship; however, the Firm may also negotiate to provide these services under a standalone, project-based engagement. In addition, the Firm may provide investment consulting services with respect to certain assets under an on-going engagement. In performing these services, Hudson is not required to verify any information received from the client or from the client’s other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. Hudson may recommend clients engage the Firm for additional related services and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if clients engage Hudson to provide additional fee-based services. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by Hudson under a financial planning or consulting

engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Hudson's recommendations and/or services.

Investment Management Services

Hudson manages client investment portfolios on a discretionary or non-discretionary basis. Hudson employs a passive management approach and primarily allocates client assets among various mutual funds and exchange-traded funds ("ETFs") in accordance with their stated investment objectives. Where appropriate, the Firm also provides advice about any type of legacy position or other investment held in client portfolios. In addition, Hudson recommends that certain eligible clients invest in privately placed securities, which may include debt, equity and/or interests in pooled investment vehicles (e.g., hedge funds) and direct investments in film and television production incentives and programs.

Hudson tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. Hudson consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify Hudson if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if Hudson determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

The Firm's investment advisory services do not include securities brokerage services as the Firm does not serve as the sponsor or manager to a wrap fee program (i.e., an arrangement where brokerage commissions and transaction costs are absorbed by the Firm).

Management of Collective Investment Vehicle

Hudson serves as the general partner and investment manager to an affiliated private investment fund, Hudson Private LP, (the "Private Fund"). Interests in the Private Fund are privately offered pursuant to Regulation D under the Securities Act of 1933, as amended. The Private Fund currently relies on an exemption from registration under the Investment Company Act of 1940, as amended. Participation as an investor in the Private Fund is restricted to investors that are qualified clients pursuant to the requirements under Rule 205-3 under the Advisers Act, as well as are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended

To the extent certain of Hudson's individual advisory clients qualify, they will be eligible to participate as limited partners of the Private Fund. Investment in the Private Fund involves a significant degree of risk. All relevant information, terms and conditions relative to the Private Fund, including the compensation

received by Hudson or its affiliate as general partner, suitability, risk factors, and potential conflicts of interest, are set forth in a Confidential Private Offering Memorandum (the “Memorandum”), Limited Partnership Agreement (the “Agreement”), and/or Subscription Agreement (together, the “Offering Documents”), which each investor is required to receive and/or execute prior to being accepted as an investor in the Private Fund. Hudson is the general partner of the Private Fund and, as compensation for managing the fund, receives a management fee equal to two percent of the Private Fund's net asset value and a performance allocation equal to twenty percent of the net capital appreciation of each investor's capital account balance. As a result, a conflict of interest exists because Hudson has an incentive to recommend that its clients invest in the Private Fund because the Firm collects not only the investment management fee (described in Item 5 below) for managing the client's assets as a whole, but also the management fee and performance allocation for managing the client's investment in the Private Fund. Nonetheless, Hudson will only recommend that its clients invest in the Private Fund if such investment is in their best interest. While the Private Fund is considered to be a client of Hudson, “client(s)” may also refer to the investors in the Private Fund.

Hudson will devote its best efforts with respect to its management of both the Private Fund and its individual client accounts. Given the above discussion relative to the objectives, suitability, risk factors, and qualifications for participation in the Private Fund, Hudson may give advice or take action with respect to the Private Fund that differs from that for individual client accounts. To the extent that a particular investment is suitable for both the Private Fund and certain individual client accounts, such investments will be allocated between the Private Fund and the individual client accounts in a manner which Hudson determines is fair and equitable under the circumstances to all of its clients.

Retirement Plan Consulting Services

Hudson provides various consulting services to qualified employee benefit plans and their fiduciaries. This suite of institutional services is designed to assist plan sponsors in structuring, managing and optimizing their corporate retirement plans. Each engagement is individually negotiated and customized, and may include any or all of the following services:

- Plan Design and Strategy
- Plan Review and Evaluation
- Executive Planning & Benefits
- Investment Selection
- Plan Fee and Cost Analysis
- Plan Committee Consultation
- Fiduciary and Compliance
- Participant Education

As disclosed in the Advisory Agreement, certain of the foregoing services are provided by Hudson as a fiduciary under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). In accordance with ERISA Section 408(b)(2), each plan sponsor is provided with a written description of

Hudson's fiduciary status, the specific services to be rendered and all direct and indirect compensation the Firm reasonably expects under the engagement.

Item 5. Fees and Compensation

Hudson offers services on a fee basis, which include fixed and/or hourly fees, as well as fees based upon assets under advisement or management.

Financial Planning and Consulting Fees

Where Hudson agrees to provide financial planning and/or consulting services under a standalone, project-based engagement, the Firm charges a fixed and/or hourly fee. Where Hudson agrees to provide investment consulting services with respect to certain assets under an ongoing engagement, the Firm charges an annual fee based on the amount of assets under the Firm's advisement. The terms and conditions of the financial planning and/or consulting engagement are set forth in the Advisory Agreement.

Fixed and hourly fees are individually negotiated and range up to \$10,000 or more on a fixed fee basis and/or from \$150 to \$500 on an hourly basis, depending upon the scope and complexity of the services and the professional rendering the financial planning and/or the consulting services. If the client engages the Firm for additional investment advisory services, Hudson may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services. For these arrangements, Hudson either charges the entire fee in arrears or requires one-half of the fee (estimated hourly or fixed) payable upon execution of the Advisory Agreement with the outstanding balance due upon delivery of the financial plan or completion of the agreed upon services. The Firm does not, however, take receipt of \$1,200 or more in prepaid fees in excess of six months in advance of services rendered.

Assets under advisement fees vary up to 100 basis points (1.0%) per annum, depending on the size and composition of a client's portfolio. The annual fee is prorated and charged monthly, in advance, based upon the market value of the assets being advised by Hudson on the last day of the previous billing period.

Investment Management and Retirement Plan Consulting Fees

Hudson offers investment management and plan consulting services for an annual fee based on the amount of assets under the Firm's management. This fee varies and generally ranges up to 125 basis points (1.25%) per annum, depending upon the size and composition of a client's portfolio. The annual

fee is prorated and charged monthly, in advance, based upon the market value of the assets being managed by Hudson on the last day of the previous billing period.

If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is adjusted to reflect the interim change in portfolio value. For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the Advisory Agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

Performance-Based Fees for Management of Collective Investment Vehicle

Hudson provides advisory services to the Private Fund for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets). Although Hudson believes that this fee arrangement best aligns the interests of the Firm and its clients, it may raise conflicts of interest. The performance fee is an incentive for the Firm to make or recommend investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In addition, where Hudson charges performance-based fees and also provides similar services to accounts not being charged performance-based fees, there is an incentive to favor accounts paying a performance-based fee. Hudson has procedures in place to ensure that any decisions are made in the best interest of clients regardless of the applicable fee structure.

Fee Discretion

Hudson may, in its sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and pro bono activities.

Additional Fees and Expenses

In addition to the advisory fees paid to Hudson, clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges can include securities brokerage commissions, transaction fees, custodial fees, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), fees related to alternative investments, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm's brokerage practices are described at length in Item 12, below.

Direct Fee Debit

Clients generally provide Hudson with the authority to directly debit their accounts for payment of the Firm's investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to Hudson. Alternatively, clients may elect to have Hudson send a separate invoice for direct payment.

Account Additions and Withdrawals

Clients may make additions to and withdrawals from their account at any time, subject to Hudson's right to terminate an account. Additions may be in cash or securities, provided that the Firm reserves the right to liquidate any transferred securities or declines to accept particular securities into a client's account. Clients may withdraw account assets on notice to Hudson, subject to the usual and customary securities settlement procedures. However, the Firm generally designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Hudson consults with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.

Item 6. Performance-Based Fees and Side-by-Side Management

As described in Item 4 above, Hudson provides advisory services to a Private Fund for a performance-based fee.

Item 7. Types of Clients

Hudson offers services to individual and high-net-worth clients, as well as pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

Minimum Account Requirements

Hudson does not impose a stated minimum fee or minimum portfolio value for starting and maintaining an investment management relationship.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies

Hudson has a private wealth management business. The Firm also provides advice with respect to film investments for certain clients. For the private wealth management business, the Firm employs various model portfolios to manage client assets. To determine asset allocations within its model portfolios, Hudson uses fundamental and cyclical analysis:

- *Fundamental analysis* involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company and its industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.
- *Cyclical analysis* is a type of technical analysis that involves evaluating recurring price patterns and trends. The risk of cyclical analysis is that economic/business cycles may not be predictable and may have many fluctuations between long-term expansions and contractions. Lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

In determining its investment recommendations, Hudson relies on information derived from available financial news (both print and on-line) and annual reports issued by companies and investment firms (such as mutual fund companies).

In most cases, Hudson utilizes mutual funds and ETF's in its model portfolios. Where appropriate for the client, Hudson may also recommend investments in film and television production incentives and programs including, but not limited to, distribution guarantees, state tax incentives and tax credits. In addition, Hudson may recommend other types of individual securities as appropriate for clients, since each client has different needs and different tolerance for risk. Hudson does not use option writing and other aggressive strategies, but the managers of the mutual funds and ETFs in a client portfolio may at times use various strategies that Hudson itself would not use. These strategies would be explained in the prospectus issued by the investment company.

The strategies used by Hudson are long-term in nature (held more than a year). At times, short-term purchases and sales can occur. Long-term and short-term purchases (and risks associated with each) are described as follows:

- *Long-Term Purchases* involve the purchase of securities with the expectation that the value of those securities will grow over a relatively long period, generally greater than one year. Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.
- *Short-Term Purchases* involve the purchase of securities with the expectation that they will be sold within a relatively short period, generally less than one year, to take advantage of the securities' short-term price fluctuations. Using a short-term purchase strategy generally assumes that we can predict how financial markets will perform in the short-term which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods.

Risk of Loss

General Risk of Loss

Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

Market Risks

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of Hudson's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. There can be no assurance that Hudson will be able to predict those price movements accurately or capitalize on any such assumptions.

Mutual Funds and ETFs

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

Master Limited Partnerships (MLPs)

Master Limited Partnerships ("MLPs") are collective investment vehicles, the partnership interests of which are publicly traded on national securities exchanges. MLPs invest primarily in companies within the energy sector that engage in qualifying lines of business, such as natural resource production and mineral refinement. MLPs are therefore subject to the underlying volatility of the energy industry and may be adversely affected by changes to supply and demand, regional instability, currency spreads, inflation and interest rate fluctuations, among other such factors. In addition, MLPs operate as pass-through tax entities, meaning that investors are liable for their pro rata share of the partnership taxes, regardless of the types of accounts where the interests are held.

Real Estate Investment Trusts (REITs)

Hudson may recommend an investment in, or allocate assets among, various real estate investment trusts ("REITs"), the shares of which exist in the form of either publicly traded or privately placed securities.

REITs are collective investment vehicles with portfolios comprised primarily of real estate and mortgage related holdings. Many REITs hold heavy concentrations of investments tied to commercial and/or residential developments, which inherently subject REIT investors to the risks associated with a downturn in the real estate market. Investments linked to certain regions that experience greater volatility in the local real estate market may give rise to large fluctuations in the value of the vehicle's shares. Mortgage related holdings may give rise to additional concerns pertaining to interest rates, inflation, liquidity and counterparty risk.

Use of Private Collective Investment Vehicles

Hudson recommends that certain clients invest in privately placed collective investment vehicles (e.g., hedge funds, private equity funds, etc.). The managers of these vehicles have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. Hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. Clients should consult each fund's private placement memorandum and/or other documents explaining such risks prior to investing.

Investments in the Private Fund and Direct Investments in Film and Television Productions

Hudson recommends that certain clients invest in the Private Fund. The Private Fund's core investment strategy is to fund film and television distribution arrangements for the purposes of providing working capital to film and television productions through collateralized positions. Hudson also recommends that certain clients invest directly in privately placed securities of the kind purchased by the Private Fund.

The success of these investments depends on the financial stability of financial counter-parties. The risk exists that a counterparty to a financial instrument held by clients, including the Private Fund, or by a special purpose or structured vehicle in which the Private Fund invests, may become insolvent or otherwise fail to perform its obligations due to financial difficulties, including making payments to clients or the Private Fund. Clients and the Private Fund may obtain no or limited recovery in a bankruptcy or other organizational proceedings, and any recovery may be significantly delayed.

In addition, because certain of these investments are not registered as securities under federal or state securities laws, there may be an absence of regulation. Clients should consult each securities' placement memorandum and/or other documents explaining such risks prior to investing.

Beyond the foregoing risks, transactions that clients and the Private Fund enter into may involve counter-parties in the film and television sector and, as a result, risks affecting this sector may cause the value of the direct investments and Private Fund to fluctuate. Such risks include, but are not limited to, the following:

- A lack of diversity of counter-parties impacting the value of investments.
- Uncertainty a film or television production will be delivered within the time frame anticipated or at all.
- A film or television production's inability to obtain a completion bond.
- The success of distribution activities may be impacted by factors over which the counter-party will have little or no control.
- A film or television production company may abandon development, production or distribution at any stage if further expenditures do not appear commercially feasible.
- The film and television production industries and their associated state tax incentive, credit, and production incentive programs are subject to significant regulation that may materially affect the business of movie and television production and distribution. Regulations now affecting the state incentive programs may change at any time, and the interpretation of these regulations by examining authorities of such states are also subject to change.
- Finally, the economic success of any film or television production is based on revenues derived from the production and distribution of a film primarily depend on its acceptance by the public, which cannot be predicted because the financial success of a film or television production, in large measure, depends on the reaction of the public, which is often influenced by professional reviewers or critics for newspapers, television and other media. It is impossible to judge in advance what the reaction of these reviewers and critics will be to the production. To the extent that a production receives unfavorable reviews from these reviewers and critics, its chances of success may be substantially diminished and affect the counter-party's financial position.

Item 9. Disciplinary Information

Hudson has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

Item 10. Other Financial Industry Activities and Affiliations

This item requires investment advisers to disclose certain financial industry activities and affiliations.

Affiliate's Receipt of Film and Television Production Fees

Hudson's principal, Christopher J. Conover, is the sole shareholder of Hudson Private Corp. Accordingly, Hudson Private Corp. is affiliate of both Hudson and the Private Fund, Hudson Private LP. Hudson Private Corp. receives fees related to Mr. Conover's role as an Executive Producer for film and television productions. Because Mr. Conover receives compensation related to his interest in Hudson Private Corp., a conflict of interest exists to the extent Hudson has an incentive to recommend investments in films and television productions for which Mr. Conover serves as Executive Producer. Notwithstanding the foregoing, fees related to Mr. Conover's role as an Executive Producer are determined in advance of any client investment in a given film or television production and are not otherwise based on client investments. Furthermore, Hudson has procedures in place whereby it seeks to ensure that all recommendations are made in its clients' best interest regardless of its affiliation with Hudson Private Corp.

Item 11. Code of Ethics

Hudson has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. Hudson's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of Hudson's personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients;
- or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by open-end mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more open-end mutual funds.

Clients and prospective clients may contact Hudson to request a copy of its Code of Ethics.

Item 12. Brokerage Practices

Recommendation of Broker/Dealers for Client Transactions

Hudson generally recommends that clients utilize the custody, brokerage and clearing services of TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc. ("TD Ameritrade") for investment management accounts. Hudson participates in the institutional customer program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA, an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisers services which include custody of securities, trade execution, clearance and settlement of transactions. Hudson receives some benefits from TD Ameritrade through its participation in the program.

Factors which Hudson considers in recommending TD Ameritrade or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. TD Ameritrade may enable the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by TD Ameritrade may be higher or lower than those charged by other Financial Institutions.

The commissions paid by Hudson's clients to TD Ameritrade comply with the Firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where Hudson determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. Hudson seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker/dealers in return for investment research products and/or services which assist Hudson in its investment decision-making process. Such research generally will be used to service all of the Firm's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Hudson does not have to produce or pay for the products or services.

Hudson periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

Software and Support Provided by Financial Institutions

Hudson receives without cost from TD Ameritrade computer software and related systems support, which allow Hudson to better monitor client accounts maintained at TD Ameritrade. Hudson receives the software and related support without cost because the Firm renders investment management services to clients that maintain assets at TD Ameritrade. The software and support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The software and related systems support may benefit Hudson, but not its clients directly. In fulfilling its duties to its clients, Hudson endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Hudson's receipt of economic benefits from a broker/dealer creates a conflict of interest since these benefits may influence the Firm's choice of broker/dealer over another that does not furnish similar software, systems support or services.

Specifically, Hudson may receive the following benefits from TD Ameritrade:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services its institutional traders;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.

There is no direct link between Hudson's participation in TD Ameritrade's institutional customer program and the investment advice it gives to its clients, although Hudson receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. Additionally, Hudson may receive the following benefits from TD Ameritrade through its registered investment adviser division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Registered Investment Adviser participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information. The Firm also has the ability deduct advisory fees directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to the Firm by third party vendors. TD Ameritrade may fund business consulting and professional services received by Hudson's related persons.

Some of the products and services made available by TD Ameritrade through the program may benefit Hudson but not its clients. These products or services may assist Hudson in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Hudson manage and further develop its business enterprise. The benefits received by Hudson's participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade.

Brokerage for Client Referrals

Hudson does not consider, in selecting or recommending broker/dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

Directed Brokerage

The client may direct Hudson in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to “batch” client transactions for execution through other Financial Institutions with orders for other accounts managed by Hudson (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Hudson may decline a client’s request to direct brokerage if, in the Firm’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Trade Aggregation

Transactions for each client generally will be effected independently, unless Hudson decides to purchase or sell the same securities for several clients at approximately the same time. Hudson may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm’s clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Hudson’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which Hudson’s Supervised Persons may invest, the Firm does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Hudson does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when such account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account’s assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a

small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Item 13. Review of Accounts

Account Reviews

Hudson monitors client portfolios on a continuous and ongoing basis while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by the Firm's Principal, Christopher J. Conover. All investment advisory clients are encouraged to discuss their needs, goals and objectives with Hudson and to keep the Firm informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and quarterly to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Account Statements and Reports

Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from Hudson and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from Hudson or an outside service provider.

Item 14. Client Referrals and Other Compensation

Client Referrals

The Firm does not currently provide compensation to any third-party solicitors for client referrals. In the event a client is introduced to Hudson by either an unaffiliated or an affiliated solicitor, the Firm may pay that solicitor a referral fee in accordance with applicable state securities laws. Unless otherwise disclosed, any such referral fee is paid solely from Hudson's investment management fee and does not result in any additional charge to the client. If the client is introduced to the Firm by an unaffiliated solicitor, the solicitor is required to provide the client with Hudson's written brochure(s) and a copy of a solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement. Any affiliated solicitor of Hudson is required to disclose the nature of his or her relationship to prospective

clients at the time of the solicitation and will provide all prospective clients with a copy of the Firm's written brochure(s) at the time of the solicitation.

Item 15. Custody

The Advisory Agreement and/or the separate agreement with any Financial Institution generally authorize Hudson to debit client accounts for payment of the Firm's fees and to directly remit that those funds to the Firm in accordance with applicable custody rules. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to Hudson. In addition, as discussed in Item 13, Hudson may also send periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from Hudson.

Private Fund

Hudson acts as investment adviser to the Private Fund and due to Hudson's role as the general partner of the Private Fund, the Firm is deemed to have custody of client assets. As such, Hudson engages an independent public accountant registered with, and subject to regulatory inspection by, the Public Accounting Oversight Board (PCAOB) to conduct an annual audit of the Private Fund. The Private Fund distributes the audited financials to each investor within 120 days of the Private Fund's fiscal year-end.

Item 16. Investment Discretion

In most circumstances, Hudson is given the authority to exercise discretion on behalf of clients. Hudson is considered to exercise investment discretion over a client's account if it can effect and/or direct transactions in client accounts without first seeking their consent. Hudson is given this authority through a power-of-attorney included in the agreement between Hudson and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Hudson takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

Item 17. Voting Client Securities

Hudson generally does not accept the authority to vote a client's securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations.

Item 18. Financial Information

Hudson is not required to disclose any financial information due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.