



**Disclosure Brochure
(Including FORM ADV PART 2A)**

Item 1 – Cover Page

Hudson Canyon Investment Counselors LLC

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This Brochure provides information about the business practices and qualifications of Hudson Canyon Investment Counselors LLC ("**Hudson Canyon**"). If you have any questions about the contents of this Brochure, please contact us at the address listed above or at (201) 332 - 9800 or at compliance@hudsoncanyon.net. 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.

Hudson Canyon is a registered investment adviser with the SEC. Registration of an Investment Adviser is based on the amount of assets under management and does not imply any level of skill or training. Additional information about **Hudson Canyon** also is available on the SEC's website at www.adviserinfo.sec.gov. The SEC's website also provides information about Hudson Canyon's Officers and portfolio managers, each of whom is registered as an investment advisor representative.



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As used in this brochure, the words "we", "our" and "us" refer to Hudson Canyon and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this Brochure. As used in this Brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

Item 2 – Summary of Material Changes

The material updates and changes since this document was last updated are as follows:

- The resignation of Hudson Canyon as a sub-advisor to the Centre Active U.S. Treasury Fund (Item 4)
- The deletion of T. Kirkham Barneby's biography due to a voluntary resignation from ADV Part 2B

The foregoing is only a summary of material changes. It does not identify every change to the brochure since the last annual update. The summary of material changes is qualified by reference to the full brochure dated March 31, 2014.



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Item 4 – Advisory Business

Hudson Canyon provides investment management services to foundations, endowments, corporations, union pension funds and private clients through separately managed accounts. Hudson Canyon also provides investment management services to an affiliated investment limited partnership, Hudson Farol Capital Partners L.P. ("Hudson Farol"), a long-short equity fund.

Hudson Canyon, organized under the laws of Delaware, was founded in June 2001 by Joseph Cajigal and William Fox, and they remain the co-owners today.

Hudson Canyon has definite standards of education and business experience required of all persons that manage portfolios, provide performance analysis or provide investment advice to clients. Such background includes appropriate college degrees, meaningful financial experience, and/or advanced degrees in finance or related fields. Our current requirements are a college degree and an advanced degree or a minimum of 5 years' experience in the financial industry.

See the accompanying Brochure Supplement for biographical information about each of the above individuals

Joseph Cajigal, Chief Executive Officer of Hudson Canyon, is a managing member of Farol Management LLC ("Farol"). Farol serves as a General Partner to and employs Hudson Canyon as investment advisor to Hudson Farol. Hudson Canyon acts solely as investment advisor and has no financial interest in the partnership.

Our approach to investing is geared to a single goal: to deliver performance returns for our clients while managing the risks associated to the process. We invest with a long-term value focus, incorporating, based on the strategy, both fundamental and/or technical analysis and utilizing individual securities, options and third-party fund products. While there is no formal Investment Committee, the portfolio managers have frequent informal discussions among themselves with respect to asset allocation,

industry sectors, specific securities and the market environment.

Hudson Canyon typically solicits private clients with minimum liquid net assets of \$1 million and institutions with minimum liquid net assets of \$10 million. We will, however, accept clients with assets which fall below the above mentioned levels, on a case-by-case basis.

We also offer separately managed account programs (also known as "wrap fee" or "SMA" programs) to individual investors through platforms sponsored by intermediaries. There are several different forms of SMA programs and several differences between how Hudson Canyon manages SMA accounts compared to other discretionary accounts. Unlike most of our client relationships, SMA clients do not pay a fee directly to Hudson Canyon and have limited direct contact with Hudson Canyon investment professionals. SMA clients generally maintain asset levels far below the minimum account sizes for our Private Client and Institutional services.

Hudson Canyon is, at times, selected as a SMA manager by the client with the assistance of the program sponsor. The sponsor typically is a broker-dealer that has its own relationship with the client. The selection of Hudson Canyon to manage the individual SMA is generally based upon the compatibility of our investment philosophy with the client's investment objectives and level of risk tolerance. In a typical SMA program, Hudson Canyon will develop the overall portfolio strategy and implement it in each client portfolio. Implementation generally is done through the automated systems supplied by the intermediary sponsoring the SMA program. All portfolio transactions normally are executed through the intermediary. Please see Section I for more information about the selection of brokers for SMA clients and the associated fees and expenses.

Some program sponsors offer a SMA program in which Hudson Canyon provides a model portfolio of stocks, bonds, or a combination of both, chosen to achieve a specific objective for the SMA sponsor and its client. The model is communicated to the intermediary sponsoring the SMA program, and the intermediary is responsible for executing securities trades to



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establish and maintain the portfolio according to our model.

Hudson Canyon monitors, evaluates, and adjusts investments in response to changing economic conditions or the shifting value of portfolio holdings. Changes to an SMA model portfolio are based on Hudson Canyon's investment research and the experience and judgment of the investment team responsible for the model. We communicate portfolio adjustments to the appropriate intermediary at times that are both scheduled and unscheduled. The sponsoring intermediary determines what trades to enter for each individual client, and when, as a result of changes in the model. In contrast, trades for discretionary accounts opened directly with Hudson Canyon are handled by our buy-side trading professionals.

Clients may terminate Hudson Canyon as their manager in an SMA program at any time. Termination procedures and information regarding the refund of prepaid fees for each program are described in the SMA sponsor's brochure.

Account relationships are organized by "client-type" and investment strategy. Each relationship has a portfolio manager responsible for the investment and oversight of the account. A second portfolio manager is also assigned to provide support and coverage of the daily activity occurring in every account.

The current investment strategies offered are:

Institutional Clients Core Management

- Large Cap Core Equity Management
- Large Cap Core Balanced Management
- Investment Grade-Active Duration Fixed Income Management

Institutional Clients

Active Interest Rate Management

- Active Interest Rate Management Long Short
- Active Interest Rate Management Long Only
- Active Interest Rate Management Intermediate Duration

Private Clients

- All Cap Equity Management
- All Cap Concentrated Equity Management
- All Cap Balanced Management
- Large Cap Relative Value Management
- Large Cap Balanced Management
- Global Tactical Asset Management
- Active Interest Rate Management Long Short
- Active Interest Rate Management Long Only
- Active Interest Rate Management Intermediate Duration

The portfolio manager is responsible for understanding each client's goals, financial profile and risk tolerance, as well as any restrictions applicable to the client's accounts. We recognize that each client possesses a unique profile and we adjust portfolio strategy and positions accordingly. Our process is designed to package our capital markets expertise into a highly personalized product.

In regard to our Active Interest Rate investment strategies, Hudson Canyon has entered into a sub-advisory arrangement with Centre Asset Management, a separately registered investment adviser, whereby Centre provides non-discretionary advice and research to Hudson Canyon, which assists Hudson Canyon in the management of certain SMAs.

Hudson Canyon's management of client portfolios is generally on a fully discretionary basis. As of December 31, 2014 the total assets under management were \$181.5 million consisting of \$180 million in discretionary assets under management and \$1.5 million of assets under management on a non-discretionary basis.

Hudson Canyon does not consider the above services "financial planning" or any similar term.

Item 5 - Fees and Compensation

Hudson Canyon charges a fixed-percentage fee per annum for investment advice based on assets under management. Fees are generally payable quarterly in advance. Clients may decide to have



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fees deducted from assets, or to be billed for fees incurred.

Terminated accounts will be charged advisory fees and additional expenses incurred by Hudson Canyon in the transfer or final disposition of the account. Accounts may be terminated by giving written notice (in most cases, 30 days) to Hudson Canyon, and clients will generally receive a prorate refund of any unearned prepaid fees upon such termination.

Clients will incur brokerage, custodial, and other transactions costs in addition to fees. Clients have the option to purchase the investment products recommended by Hudson Canyon through other brokers or agents that are not affiliated with Hudson Canyon.

Please refer to Item 12, Brokerage Practices, for additional details.

Fee Schedules:

Hudson Canyon's fees are computed as a percentage of assets under management. The fee structure is generally determined by product, size of the account assets managed and level of services required. However, fees may be negotiable where special circumstances prevail, and arrangements with any particular client may vary from the foregoing. In some cases, fees charged by Hudson Canyon may be greater than fees charged by other investment advisors for similar services; in other cases our fees may be lower.

The following describes Hudson Canyon's basic fee schedule for separately managed client accounts:

Institutional Client Core Management Account Schedules

For Equity and Balanced assignments:

Value of Assets at beginning of quarter	Annual Percentage
First \$20 million	1.0%
Next \$30 million	0.75%
On balance of account	0.65%

For Investment Grade Active Duration assignments:

Value of Assets at beginning of quarter	Annual Percentage
First \$20 million	0.40%
Next \$10 million	0.30%
On balance of account	0.20%

Private Client Account Schedule

For Equity and Balanced assignments:

Value of Assets at beginning of quarter	Annual Percentage
First \$1 million	1.0%
Next \$1 million	0.85%
Next \$1 million	0.75%
On balance of account	0.65%

For Active Interest Rate Management assignments:

Value of Assets at beginning of quarter	Annual Percentage
Active Interest Rate Management Long Short	0.50%
Active Interest Rate Management Long Only	0.40%
Active Interest Rate Management Intermediate Duration	0.30%

Long/Short Account Schedule

For Equity assignments:

Value of Net Assets at month-end	Annual Percentage
Actual Value	1%



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Fees are generally calculated on the value of the assets as of the last day of the preceding quarter and payable in advance. If a client has prepaid its fee and elects to terminate its account with Hudson Canyon, any overpayment of fees not due to Hudson Canyon will be promptly refunded. The above breakpoints are generally applied to each separate account but may on rare occasions be based on the aggregate value of related accounts. Certain minimum fees may apply causing a higher percentage fee than shown above.

Hudson Canyon looks at each client relationship on an individual basis and may modify the fee schedule to reflect unique aspects of an account. Fees remain negotiable in certain cases, such as where the value of the assets is likely to exceed \$10 million, where the account under supervision includes unusual assets or an unusual mix of assets, or where all or a portion of the account requires minimal portfolio manager oversight. For institutional accounts requiring balanced or large cap core equity, the fee is generally negotiated. The range of annual fees charged for institutional accounts extends from 15 basis points to 75 basis points on the assets in the account payable quarterly. Similarly, we may agree to reduce fees or waive fees on certain legacy holdings that we will not be actively managing. Certain client relationships with minimal oversight are charged a flat percentage rate or a flat fee rather than a scaled fee in order to simplify billing. Upon the formation of Hudson Canyon and the employment of George Graf, certain clients were designated as legacy clients and are charged the fee schedule which was in effect at their prior investment manager.

The SMA programs described above generally provide for an all-inclusive fee, which covers investment management, trade execution, and reports of activity, asset allocation, custodial services and the recommendation and monitoring of investment managers.

As an investment adviser to SMA programs, we receive as compensation a portion of the total managed account program fee paid to the sponsor by the client. This typically ranges from 0.25% to 0.50% annually, depending upon the program sponsor, type of account (i.e., equity, balanced or fixed income), the level of support

services provided by Hudson Canyon or sponsor and the size of the client's assets in the specific program.

Advisory fees may be reduced or waived for Hudson Canyon's officers and employees, their family members, and related estates and trusts. Advisory fees are sometimes reduced or waived for certain investment accounts which require minimal oversight and are maintained as a courtesy to existing clients. Fees may also be reduced or waived for certain non-profit organizations.

In order to gain exposure to certain asset classes, private accounts may be invested in mutual funds, exchange-traded funds, private partnerships, and similar investment vehicles. Mutual funds and exchange-traded funds may also be utilized to diversify small accounts and/or provide a cash alternative when traditional cash equivalents provide little or no yield. Daily cash balances are typically swept into money market mutual funds. The above-listed fee schedules do not include embedded management fees and other operating expenses that are charged by the investment advisers and service providers of these other products. Third-party investment products are selected by Hudson Canyon based on their performance record, fee profile, investment discipline and ability to provide diversification within an asset class or, for small accounts, across asset classes. Hudson Canyon has no affiliation with these third-party investment products, other than Hudson Farol, or their advisers or service providers and receives no fees from them.

For further discussion, see Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal trading.

A client can invest in mutual funds, exchange-traded funds and similar investment vehicles without the services of Hudson Canyon. In that case, the client would not have our assistance in evaluating which funds are most appropriate for his or her objectives, financial situation and overall investment portfolio.

Clients are also responsible for payment of transaction or account fees charged by their custodian or broker, and any commissions



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payable to brokers who effect transactions on behalf of their account(s).

Further information about commissions to brokers can be found under Item 12: Brokerage Practices.

Performance Fees

Hudson Canyon does not currently charge performance fees but reserves the right to do so.

Should Hudson Canyon enter into an arrangement to charge performance-based fees, please note that such fees are generally negotiated and driven by specifically tailored assignments. The performance fees are calculated and payable annually in arrears. In regards to performance based compensation, the SEC requires the following disclosure: (1) the fee arrangement may create an incentive for us to make investments that are riskier or more speculative than would be the case in the absence of performance based fees; (2) we may receive increased compensation with regard to unrealized appreciation as well as realized gains in the client's account; and (3) one year periods will be used to measure investment performance throughout the term of the agreement, as we feel that a one year period provides more realistic performance than do quarterly calculations. Performance based compensation applies only to persons or companies who have at least \$750,000 under management with Hudson Canyon, or whose net worth at the time of entering into the agreement exceeds \$1,500,000. Should Hudson Canyon enter into such an arrangement, we will remain compliant with Rule 205-3 of the Investment Advisors act of 1940.

Calculation of Fees

In calculating client net asset values, and thereby client advisory fees, we typically rely on security prices provided by third-party broker/custodians. However, in certain circumstances security prices may not be available or may be deemed by Hudson Canyon to be incorrect. In these situations, we make a good faith determination as to the appropriate valuation of the security. Valuation is not an exact science and such situations pose a potential conflict of interest as higher security valuations result in higher advisory fees and better performance for Hudson Canyon. We have adopted Valuation Policies and

Procedures reasonably designed to ensure that client portfolios are appropriately valued and that advisory fees are correctly calculated. The Valuation Policies and Procedures require multiple parties to review and approve any price that is established by Hudson Canyon independent of a third-party broker or custodian.

All account clients receive a copy of the quarterly fee calculation from Hudson Canyon and are encouraged to contact us with any questions. Clients for whom advisory fees are directly debited from their accounts should note that their custodian/broker makes payment to us based on our invoice and does not independently calculate the amount of the fee to be deducted.

Payment of Fees

Payment of fees may be paid either directly by the client or by the custodian holding the client's funds and securities. All clients are sent written notice of the bill detailing the fee calculation a minimum of 14 days prior to their charge date and are encouraged to contact us with any questions. For those accounts which have pre-authorized their custodians to pay our bill directly, the client should note that their custodian/broker makes payment to us based on our invoice and does not independently calculate the amount of the fee to be deducted.

Limited Partnership Fees

Hudson Canyon serves as the investment manager of an investment-related limited partnership Hudson Farol organized by Farol Management, the general partner. Hudson Canyon's fees for Investment management are assessed monthly, in arrears, and the partnership is debited quarterly.

Farol receives an incentive fee on the profits derived from the fund. Farol is also reimbursed for accounting, legal and other expenses paid by Farol and attributable to Hudson Farol. Limited partners in Hudson Farol are assessed fees of 1.0% per year based on the value of assets held in Hudson Farol on each month end. Investors in Hudson Farol are referred to the Limited Partnership offering documents for complete information on the services provided and the fees charged. Excess cash held in Hudson Farol is invested in third-party mutual funds or, on occasion, exchange-traded funds. The above-



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stated fee does not include embedded management fees and other operating expenses charged by the investment advisers and service providers of these third-party funds.

Item 6 – Performance-Based Fees and Side-By-Side Management

Hudson Canyon does not currently receive performance-based fees.

As an investment adviser and fiduciary to its clients, Hudson Canyon seeks to treat all clients fairly, to always put clients' interests first and to provide high quality investment services to all clients based on each client's objectives, guidelines, and risk tolerance. Portfolio managers generally manage multiple portfolios for various client types. The various client types may include, but are not limited to: corporations, institutions, individuals and investment related limited partnerships.

When a portfolio manager manages more than one account, a potential for conflict exists for the portfolio manager to intentionally or unintentionally treat one account more favorably than another. This potential conflict can be most apparent when one portfolio has a higher fee than another portfolio, including a performance-based fee that is common to limited partnerships. Hudson Canyon seeks to manage this potential conflict through additional investment restrictions on portfolio managers who manage limited partnerships and other accounts, internal review processes, and supervisory oversight.

Portfolio managers generally manage portfolios in an independent manner. Fair treatment does not necessarily mean identical treatment. Differences in a client's objectives, guidelines and risk tolerance and the particular management needs of that portfolio (e.g. cash flows) may result in significantly different performance across portfolios. Hudson Canyon affords each portfolio manager the judgment to effectively manage a portfolio. Hudson Canyon generally does not expect portfolios to be managed identically; rather it is expected that a portfolio manager will endeavor to: (1) manage portfolios in accordance with the investment mandate of the client, (2) make the best investment decisions for each client according to that client's needs and (3)

ensure that no one client is advantaged or disadvantaged at the expense or benefit of another client.

Hudson Canyon has no obligation to purchase or sell, or to recommend for purchase or sale, any security or other property with respect to any client which Hudson Canyon or its employees or affiliates may purchase or sell for their own account. In addition, Hudson Canyon may give advice and take action in the performance of its duties with respect to any of its clients which may differ from advice given, or the timing or nature of action taken, with respect to any of its other clients (e.g. Hudson Canyon may purchase stocks for one or more clients at the same time that it is selling such stocks or selling such stocks short for one or more clients).

With the understanding that clients retain Hudson Canyon to manage their portfolio according to agreed upon investment mandates and that clients may have different objectives, guidelines, risk tolerances, and changing needs, not every investment decision will be appropriate for every portfolio. Investment decisions for one account may be opposite of investment decisions for another account (e.g. due to differing cash flows, a portfolio manager may buy and sell the same security for different accounts). To address the potential for conflict, portfolio managers who manage both limited partnership and other accounts are subject to the following restrictions:

Cool Down Period – In the event that a portfolio manager: (i) purchases a security that is held by a limited partnership under his management for another account under his management, the portfolio manager will generally wait one business day prior to making a subsequent sale of that same security from the limited partnerships or (ii) sells a security that is held by another account under his management, the portfolio manager will generally wait one business day prior to purchasing that same security in limited partnerships (exceptions to this policy will be approved by the Chief Compliance Officer and Chief Investment Officer).

Research Recommendations - when a portfolio manager for a limited partnership discusses the advantages or disadvantages of an investment in a particular security, the portfolio manager will



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disclose the limited partnership's interest in that security, if any. Furthermore, subsequent changes to the portfolio manager's view on that security should be disclosed where the portfolio manager's limited partnership client(s) has an interest in that security.

Investments in Initial Public Offerings - a portfolio manager will not invest in initial public offerings of companies where the security is held privately by a limited partnership.

Shorting of Securities- Although investment decisions for Hudson Farol will be made independently from those for other accounts managed by Hudson Canyon, a portfolio manager will generally not initiate a short position in a security for Hudson Farol, if any of Hudson Canyon's other clients have established long positions in the same security (exceptions to this policy will be approved by the Chief Compliance Officer and Chief investment Officer).

The above side by side management compliance policies, in conjunction with the existing trade allocation, brokerage allocation, and code of ethics policies are intended to ensure that Hudson Canyon continues to adhere to the highest fiduciary standards in serving all clients.

Item 7 – Types of Clients

Hudson Canyon offers investment advice to individuals; bank and thrift institutions; investment companies; pension and profit-sharing plans; trusts, estates and charitable organizations; corporations; private funds, and other business entities.

As mentioned previously, Hudson Canyon typically solicits private clients with minimum liquid net assets of \$1 million dollars and institutions with minimum liquid net assets of \$10 million dollars. We will, however, accept clients with assets which fall below the above mentioned levels, on a case-by-case basis.

Please refer to Item 5, Fees and Compensation for more information

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

Investing in securities involves risk of loss that clients should be prepared to bear. Investments in securities are subject to various market and business risks and Hudson Canyon cannot guarantee the results of any investment decisions or advice provided. Each client should carefully consider the amount of loss or risk that he or she can withstand and discuss this thoroughly with his or her portfolio manager

Sources of Information

Hudson Canyon's methods of security analysis include fundamental, technical and cyclical analysis. Sources of information used by Hudson Canyon include financial newspapers and magazines; inspections of corporate activities; research materials prepared by others; corporate rating services; timing services; annual reports, prospectuses, databases of information gathering services (e.g. Factset, Baseline, etc...) and filings with the Securities and Exchange Commission; and company press releases and Government data releases.

Methods of Analysis

Equities

We seek to identify companies that hold a dominant position within a given industry based on the company's historical financial performance, outstanding corporate metrics and established products, services or management. We generally look to buy companies that have a 5 year earnings growth rate that exceeds their forward price to earnings ratio, that have favorable metrics regarding price to cash flow generation and have returns on equity of at least 15%.

We look for companies that we believe have underappreciated future growth prospects, are currently out of favor due to a short-term, correctable problem or are migrating into a faster growth, higher margin business model. We believe the stocks of these issuers have a blend of both value and growth potential.

Fixed Income

Our strategy is to determine the overall direction of interest rates and position the portfolio's



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durations accordingly. We analyze the yield curve to determine the most advantageous portfolio construction. We determine the relative attractiveness of corporate versus government and/or government agency securities. Based on the results of our analysis, we adjust Durations or maturities when conditions indicate and shorten portfolio exposure when necessary to preserve capital.

In addition, we are active duration managers. This means that when we believe interest rates are falling, we lengthen duration to take advantage of the increased returns that should be available as rates drop. Likewise, when our proprietary market indicators warn of forces that threaten the markets, our managers will seek to shorten portfolio maturities and durations with the goal of limiting potential declines.

Active Interest Rate Management:

We seek to maximize total return through Treasury bond appreciation as well as income generation from Treasury bond holdings and/or Treasury-related ETFs. The strategy seeks to obtain its objective by utilizing a proprietary Interest Rate Forecasting Process. The process takes a *Sum of Evidence* approach in an attempt to forecast interest rates on a monthly basis.

Research indicates that a monthly horizon provides an opportunity to capture the general cyclical trend in interest rates while allowing for the potential to benefit from short term deviations from the trend. The strategy benchmark is typically managed against one of the Barclays Capital U.S. Treasury Indices which serve as the basis for the duration decisions utilized in the management of the portfolios.

The Strategy will maintain an average duration, based on the application of between +/- twice that of the selected Treasury Index based on the outlook for changes in interest rates. The interest rate outlook is derived from the proprietary Interest Rate Scorecard ("Scorecard"). The Scorecard is a highly disciplined, quantitative approach that is statistically based and employed to determine the interest rate outlook. The Scorecard is grounded on the basic economic theory of interest rate behavior and combines measures of economic growth, e.g., employment growth, inflationary expectations, e.g., the behavior of precious metals prices and the recent

trend in interest rates which are viewed as reflecting current investor sentiment regarding the U.S. Treasury market.

Portfolios are constructed using U.S. Treasury securities including Treasury Bills, Treasury Notes and Treasury Bonds and where appropriate Treasury related Exchange Traded Funds ("ETFs"). The process is transparent and value added comes from the duration exposure over time.

Third-Party Products:

In order to gain exposure to certain asset classes, private accounts may be invested in mutual funds, exchange-traded funds, private partnerships, and similar investment vehicles. Hudson Canyon screens third-party investment products based on their niche expertise, performance record, fee profile, and ability to provide diversification within an asset class or, for small accounts, across asset classes. We look for investment managers, where practicable, who think like we do and employ similar techniques to their portfolio composition as we do for our separate managed accounts.

However, we employ different strategies, at times; to attempt to collect the returns generated by a certain type of investment Third-party fund products are effective in capturing the return characteristics of "style" categories, such as large-cap growth, large-cap value, small-cap growth and small-cap value. Hudson Canyon manages the exposure to these various style boxes based on our view of relative value offered by each. Also, we typically utilize third-party fund products to provide diversified equity or fixed income exposure in international markets.

Detailed discussion of the risks associated with a specific third-party fund can be found in the fund's prospectus or offering documents.

Types of Investments

Hudson Canyon offers a variety of equity, balanced and fixed income investment strategies, utilizing securities that include, but are not limited to, common stock, preferred stock, corporate bonds (both higher and lower rated), municipal bonds (both insured and uninsured),



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options, warrants, and certain cash equivalents (e.g. money market funds).

Hudson Canyon may utilize the following types of investments in the performance of its strategies:

- Equity securities
(Including exchange-listed securities, over-the-counter securities and foreign issues)
- Warrants
- Corporate debt securities
- Commercial paper
- Certificates of deposit
- Municipal securities
- Mutual funds
- Option contracts on securities and currencies
- U.S. government and government agency securities
- Interests in limited liability companies
- Exchange Traded Funds holding equities, bonds
- Structured Products (e.g. Collateralized Debt Obligations "CDO", Collateralized Loan Obligations "CLO" and Collateralized Mortgage Obligations "CMO")

In limited circumstances, where clients are deemed able and are willing to accept greater risk in pursuit of potential higher total return, Hudson Canyon also uses some leveraging and hedging techniques, including buying securities on margin, selling securities short and buying certain structured products designed to track or inversely track certain market indices.

Investment Strategies

Hudson Canyon invests and manages clients' portfolios in accordance with an investment strategy selected by a client, which is based on a model type portfolio of securities that Hudson Canyon and the client believes best represents the client's selected strategy, and also in accordance with the clients' overall investment objectives and any restrictions.

The current investment strategies offered by Hudson Canyon are described in Item 4, Advisory Business.

Clients may impose restrictions on investing in certain securities or types of securities. Some of Hudson Canyon's clients have restrictions as to which securities may be purchased. For instance, for some clients, no investments shall be made in

securities of corporations whose operations are not consistent with moral teachings or whose behavior raises serious questions concerning social justice, weapons production, abortion, or other ethical and moral issues. Clients have also placed restrictions on the percentage of assets under management that may be held in the securities of any one company.

Using the criteria described in the "Methods of Analysis" heading included in this section, portfolio strategies are constructed in accordance with client goals. In general, client accounts usually fall within one of the following:

- Diversified Equity Strategy – a diversified long-term relative value/growth portfolio which may hold both U.S. and international equities and U.S. and international equity funds or any combination thereof
- Concentrated Equity Strategy – a portfolio concentrated in a limited number of holdings of both U.S. and international equities and U.S. and international equity funds or any combination thereof
- Fixed Income Strategy - a blend of various investment grade issues, with a focus on securities that pay either a dividend or coupon to provide current cash flow distributions to the client and/or U.S. and international bond funds that provide exposure to certain types of fixed income based on issuers and/or investment characteristics
- Balanced Strategy – a portfolio of assets employing a combination of equity and fixed income strategies previously described with an active asset allocation typically ranging from 20% to 80% in equities and the balance in fixed income, alternatives and cash
- Tactical Asset allocation Strategy-a portfolio of securities that it seeks to rotate capital to the asset classes or markets that offer the strongest potential for price appreciation, while attempting to reduce or control risk by underweighting exposure to those asset classes and markets exhibiting negative price trends.
- Active Interest Rate Management



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strategy – a portfolio that seeks to maximize total return through Treasury bond appreciation as well as income generation from Treasury bond holdings and/or Treasury-related ETFs. In order to capture the general cyclical trend in interest rates while allowing for the potential to benefit from short term deviations from the trend;

Investment strategies employed include long and short-term purchases, but may also include trading securities sold within 30 days (resulting in increased brokerage and other transaction costs and taxes); short sales; option writing (including covered options, uncovered options and spread strategies), and the use of other similar derivatives.

Hudson Canyon may enter into derivative transactions when the use is consistent with established client investment guidelines and the firm's investment strategy as selected by the client. A derivative is a financial arrangement between two parties whose payments or values are based on—or “derived” from—the performance of some agreed-upon benchmark. Common benchmarks include securities, indices, commodities, interest rates, currency exchange rates, securities spreads and other assets or economic benchmarks with varying degrees and types of associated risks. Derivatives can be used for a variety of reasons. For example, if a portfolio consists of foreign investments that are denominated in the currency of the country of the issuer, we may want to reduce the risk of fluctuations in the value of such currencies. Or, we may want to modify the risk/return profile of a portfolio without incurring huge transaction cost and without disturbing the portfolio. Derivatives can be used to achieve these and other goals.

There are significant risks associated with derivatives that can result in the loss of principal, or, in certain cases, the loss of more than the initial investment. The primary risks associated with derivatives are (i) market risk (the risk that the market value of the investment will decline), (ii) credit risk (the risk that the counterparty to the transaction will default on its obligations), (iii) liquidity risk (the risk that the instrument will not

be readily marketable) and (iv) valuation risk (the risk that because the instrument is thinly traded, it may have only one pricing source). In no event will Hudson Canyon invest in any derivative instrument unless such investment is consistent with established client investment guidelines.

Risks

The investments selected by the Investment Manager are subject to substantial risks.

Stock Market Risk. The value of the stocks and other securities owned by a Client will fluctuate depending on the performance of the companies that issued them, general market and economic conditions, and investor confidence. The market also may fail to recognize the intrinsic worth of an investment or the Investment Manager may misgauge that worth. Equity securities may be subject to wide and sudden fluctuations in market value with corresponding fluctuations in the Fund's net asset value.

Short Sales Risk. If a security sold short increases in price, a Client may have to cover its short position at a higher price than the short sale price, resulting in a loss. Brokers may require the Fund to “cover” a short position at an inopportune time restricting the use of the Client's capital. To borrow the security, a Client may be required to pay a premium, which would increase the cost of the security sold short. The amount of any gain will be decreased, and the amount of any loss increased, by the amount of the premium, dividends, interest or expenses the Fund may be required to pay in connection with the short sale. In addition, because the Client's loss on a short sale arises from increases in the value of the security sold short, such loss is theoretically unlimited. By contrast, the Client's loss on a long position arises from decreases in the value of the security and is limited by the fact that a security's value cannot drop below zero.

Risk of Non-Diversification in a Portfolio. In certain instances, due to the size of an account, the agreed to strategy employed or the lack of approval to utilize certain vehicles; assets may be concentrated in a small number of holdings. This limited number of holdings means that an increase or decrease in the value of a single security will have a greater impact on the Client's



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net asset value and total return than a more diversified fund.

Industry and Sector Risk. Companies that have similar lines of business are grouped together in broad categories called industries. Certain industries are grouped together in broader categories called sectors. To the extent that the Investment Manager invests in companies in the same industries or sectors, the Fund's performance will be susceptible to the economic, business or other developments that affect those industries or sectors.

Small and Mid-Size Company Risk. The Investment manager may invest in small or mid-size companies. While small and mid-size companies may offer greater potential for capital appreciation than larger and more established companies, they may also involve greater risk of loss and price fluctuation. The trading markets for securities of smaller-cap issuers may be less liquid and more volatile than securities of larger companies. This means that a Client could have greater difficulty buying or selling a security of a smaller-cap issuer at an acceptable price, especially in periods of market volatility.

Risk of Investments in Options. There is no assurance that a liquid secondary market on an exchange will exist for any particular option, or at any particular time, and for some options, such as over-the-counter options, no secondary market on an exchange may exist. The effectiveness of hedging through the purchase of securities index options will depend upon the extent to which price movements in the portion of the securities portfolio being hedged correlate with price movements in the selected securities index. Perfect correlation is not possible because the securities held or to be acquired by a Client will not exactly match the composition of the securities indexes on which options are written. In the purchase of securities index options the principal risk is that the premium and transaction costs paid by the Fund in purchasing an option will be lost if the changes (increase in the case of a call, decrease in the case of a put) in the level of the index do not exceed the cost of the option.

Risk of Investing in Investment Companies. The Investment Manager may purchase securities of

other investment companies, including exchange-traded funds ("ETFs"), to gain exposure to a portion of the U.S. or a foreign market. An ETF is a type of index fund that trades like a common stock and represents either a fixed portfolio of securities designed to track a particular market index or an underlying commodity, such as gold. The risks of owning investment company securities generally reflect the risks of owning the underlying securities or other assets it owns or it otherwise is designed to track, although the potential lack of liquidity of ETFs could result in their being more volatile. The value of ETFs that own an underlying commodity, such as gold, will fluctuate based on the factors that affect the price of the commodity, including supply and demand, interest rates, currency exchange rates and global or regional political, economic and financial events. Additionally, investment companies, including ETFs, have management fees which increase the cost of owning securities issued by investment companies. Information with respect to the fees charged by a specific third-party fund can be found in the fund's prospectus or offering documents.

Risk of Investing in Fixed Income Securities. Bond prices tend to move inversely with changes in interest rates. An increase in interest rates will generally cause bond prices to fall, which will affect a Client's net asset value. Bonds with a longer maturity or effective duration may be more sensitive to changes in interest rates. With respect to mortgage-backed securities, falling interest rates may cause these securities to be pre-paid earlier than expected due to homeowners refinancing their home mortgages, which could alter the Fund's expected cash flows. Some bonds are subject to being prepaid or called by their issuer, which could alter the Fund's expected cash flow. Failure of a company to make timely interest or principal payments or a decline in the credit quality of an issuer may cause such company's bond price to fall. These risks may be greater for companies whose bonds are rated less than investment grade (i.e., junk bonds) because of their greater risk of default.

Foreign Securities Investing Risks. Investing in the securities of foreign issuers involves special risks and considerations, including differences in accounting, auditing and financial reporting



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standards, generally higher commission rates on foreign portfolio transactions, the possibility of expropriation or confiscatory taxation, adverse changes in investment or exchange control regulations, political instability which could affect U.S. investment in foreign countries and potential restrictions on the flow of international capital and currencies. Foreign issuers may also be subject to less government regulation than U.S. companies. Moreover, the dividends and interest payable on foreign securities may be subject to foreign withholding taxes, thus reducing the net amount of income available for distribution to the Fund's shareholders. Further, foreign securities often trade with less frequency and volume than domestic securities and, therefore, may exhibit greater price volatility. Changes in foreign exchange rates will affect, favorably or unfavorably, the value of those securities which are denominated or quoted in currencies other than the U.S. dollar.

Investments in emerging markets may be considered speculative, and therefore may offer higher potential for gains and losses than investments in developed markets of the world. With respect to any emerging country, there may be greater potential for nationalization, expropriation or confiscatory taxation, political changes, government regulation, social instability or diplomatic developments (including war) which could affect adversely the economies of such countries or the value of the Fund's investments in those countries. In addition, it may be difficult to obtain and enforce a judgment in the courts of such countries. Further, the economies of developing countries generally are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade.

Currency Market Risks. Currencies may be exchanged on a spot (i.e., cash) basis, or by entering into forward contracts to purchase or sell foreign currencies at a future date and price. The Fund may enter into currency forward contracts to fix a definite price for the purchase or sale in advance of the trade's settlement date.

A Client may also enter into forward contracts to purchase or sell a foreign currency in anticipation of future purchases or sales of securities denominated in foreign currency, even if the specific investments have not yet been selected by the Investment Manager. In addition, the Fund may use forward contracts to hedge against a decline in the value of existing investments denominated in foreign currency. Successful use of forward currency contracts will depend on the skill of the Investment Manager in analyzing and predicting currency values. Forward contracts may substantially change a Client's investment exposure to changes in currency exchange rates, and could result in losses to the Fund if currencies do not perform as the Investment Manager anticipates. There is no assurance that the use of forward currency contracts by the Investment Manager will be advantageous to a Client or that it will hedge at an appropriate time.

Risk of Leverage. Utilization of leverage is a speculative investment technique and involves certain unique risks. These risks include the possibility of higher volatility of the net asset value of an account, greater fluctuations in the total return of an account and the possibility that an account could lose more than its contributed capital.

So long as an account is able to realize a higher net return on the portion of its investment portfolio attributable to leverage than the cost of any leverage together with other related expenses, the effect of the leverage will be to cause an account to realize a higher current net return than if an account were not so levered. On the other hand, to the extent that the then-current cost of any leverage, together with other related expenses, approaches the net return on an account's investment portfolio attributable to leverage, the benefit of leverage will be reduced, and if the then-current cost of any leverage were to exceed the net return on an account's investment portfolio attributable to leverage, an account's leveraged capital structure would result in a lower rate of return than an unleveraged portfolio. If an account's current investment income on its entire portfolio were not sufficient to meet interest and other expenses connected with leveraging, it could be necessary for an account to liquidate certain of its investments during unfavorable market conditions.



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Certain of an account's investments may utilize leverage, such as leveraged ETFs. These investments will be more volatile than comparable non-leveraged investments for the reasons described in the preceding paragraph.

An account may or may not be subject to limits on the amount of leverage that can be employed in effecting its investment strategy. It is possible; therefore, that the Investment Manager may increase an account's leverage when market conditions are favorable but be unable to decrease such leverage if market conditions suddenly change. In this circumstance, an account may have to sell investments that the Investment Manager would prefer to keep, sell at inopportune times or sell at distressed prices.

Item 9 – Disciplinary Information

There is no disciplinary information to report for Hudson Canyon or Associated Persons of Hudson Canyon.

Item 10 – Other Financial Industry Activities and Affiliations

As stated previously, Joseph Cajigal, Chief Executive Officer of Hudson Canyon, is a managing member of Farol which serves as a General Partner to and employs Hudson Canyon as investment advisor to Hudson Farol. Hudson Canyon acts solely as investment advisor and has no financial interest in the partnership.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

Hudson Canyon has adopted a Code of Ethics ("Code") describing its standards of business conduct and fiduciary duty to clients. The Code is reasonably designed to ensure that all clients are treated fairly and equitably. The Code requires that Hudson Canyon principals and employees ("Access Persons") adhere to the highest ethical standards and always place the interests of clients before their own personal interests. The Code establishes rules with respect to:

- Internal reporting of possible violations of the Code, associated policies and procedures, federal securities laws, or client investment guidelines;
- Execution of trades in the personal accounts of Access Persons, and the reporting of trades and holdings in the personal accounts of Access Persons;
- Appropriate trading in client accounts;
- Use of material, non-public information (insider trading);
- Creation and/or circulation of rumors related to securities or public companies;
- Safeguarding of confidential client information;
- Giving or accepting gifts and entertainment;
- Handling client complaints;
- Electronic communications and the use of electronic devices and social networking sites;
- Reporting by Access Persons of any outside business activities in which they are involved; and
- Creation and maintenance of required records.

The Code is supplemented with specific compliance policies and procedures. All Access Persons must certify annually that they have read and understood all provisions of the Code and related policies and procedures, and that they agree to comply with all terms and requirements contained therein.

Hudson Canyon receives no fees from issuers of securities in which client assets are invested. However, Hudson Canyon's portfolio managers may participate in opportunities offered and paid for by issuers such as educational conferences. When an issuer of a security pays for a portfolio manager's transportation, accommodations, and/or tuition, a potential conflict of interest is created. However, Hudson Canyon believes that such situations can provide portfolio managers the opportunity to conduct intensive due diligence of the issuer and/or the issuer's products. Brokers and/or issuers of securities also provide occasional entertainment to our personnel, as well as gifts on holidays or special occasions. Hudson Canyon's Code requires that the value of any such training opportunity,



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entertainment or gifts must be reasonable with respect to the nature of the event and the actual or potential business relationship between the parties.

Participation or Interest in Client Transactions and Personal Trading

Hudson Canyon has adopted Personal Trading Policy and Procedures ("Personal Trading Policy"), which, along with the Code, establish guidelines for personal trading. The Personal Trading Policy prohibits certain types of personal securities transactions and requires pre-approval of others deemed to create a potential conflict of interest. It also requires Access Persons to provide timely documentation of certain personal trading activity to Hudson Canyon's chief compliance officer. The Code requires that Access Persons conduct all personal securities transactions in a manner consistent with the Code and Personal Trading Policy so as to avoid any actual or potential conflicts of interest.

Access Persons and their related parties may have personal accounts which hold or transact in the same securities that are held or transacted within client accounts. Certain Access Persons may serve on boards of directors of profit and not-for-profit entities and/or as Trustees for accounts managed by Hudson Canyon. Some Access Persons manage accounts of family members who may or may not be clients of Hudson Canyon.

When consistent with Hudson Canyon's obligation of best execution, the personal accounts of Access Persons and related parties may be included with client accounts in aggregate or block trades. In such situations, all participating accounts receive the same average trade price, less any commission or fee charged by the broker/custodian. Access Persons, under certain circumstances, may also trade independently of client accounts if the trade size is unlikely to impact the execution quality of client trades; however, this is a subjective assessment and it is possible that client trade prices could be negatively impacted. Therefore, as a general rule, Access Persons shall usually wait one (1) business day after client trades are executed to conduct personal trades.

Access Person trading is continually monitored by Hudson Canyon's compliance officer. Nevertheless, because the Code and Personal Trading Policy allow Access Persons under certain circumstances, to invest in the same securities at the same time as clients, Access Persons may have a conflict between their personal interests and the best interests of clients. The Allocation Policy provides guidance with respect to the allocation of investment opportunities among participating accounts, including Hudson Farol, private accounts, and Access Person accounts. However, there can be no assurance that account performance will not be negatively impacted by the manner in which trades are executed.

On the basis of personal goals or considerations apart from company or industry fundamentals, Access Persons may buy or sell a specific security for their own accounts that they do not deem appropriate to buy or sell for client accounts. Access Persons may also be involved in other business ventures or interests which are not offered or available to Hudson Canyon's clients. Accordingly, Access Persons may encounter conflicts of interest between their obligations to Hudson Canyon, Hudson Canyon's clients, and such other activities.

Joseph Cajigal has substantial personal investments in Hudson Farol and Farol Management. In some cases, Hudson Canyon may receive a higher investment advisory fee on assets that are invested in Hudson Farol. Farol receives an incentive fee on the net profits of Hudson Farol. Therefore, Hudson Canyon and Joseph Cajigal may have an incentive to recommend that clients invest in Hudson Farol.

Hudson Canyon will provide a copy of the Code to any client or prospective client upon request. Clients may request a complete copy of Hudson Canyon's Code by contacting the firm's Chief Compliance Officer at (201) 332-9800 or via email at compliance@hudsoncanyon.net or writing to us at 151 Bodman Place, Suite 101, Red Bank, N.J. 07701.

Item 12 – Brokerage Practices

Hudson Canyon generally determines the broker through whom securities transactions are to be affected. In selecting brokers for a portfolio



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transaction, Hudson Canyon considers, without limitation, the overall direct net economic results to an account, including both price paid or received and any commissions and other costs paid, the efficiency with which the transaction is effected, the ability to effect the transaction at all where a large block is involved, the availability of the broker to stand ready to execute possibly difficult transactions in the future, responsiveness to Hudson Canyon, and the financial strength and stability of the broker.

It is Hudson Canyon's policy to seek the best execution available in light of the overall quality of brokerage and research services provided to it or its clients. Best execution involves reasonably seeking the most favorable terms for a transaction under the circumstances.

The actual allocation of brokerage business may vary from year to year, depending on Hudson Canyon's evaluations of all applicable considerations. In no case will Hudson Canyon make binding commitments as to the level of brokerage commissions it will allocate to a broker, nor will it commit to pay cash if an informal target is not met.

Research

Hudson Canyon evaluates the amount and nature of research and research services provided by brokers and attempts to allocate a portion of the brokerage business of its clients on the basis of that consideration.

When Hudson Canyon uses client brokerage commissions (or markups or markdowns) to obtain research or other products and services, Hudson Canyon benefits because it does not have to pay for the research, products or services. Hudson Canyon may have an incentive to select a broker-dealer based on its interest in receiving research or other products and services.

Subject to the criteria of Section 28(e) of the Securities and Exchange Act of 1934 ("Section 28(e)"), Hudson Canyon may pay a broker a brokerage commission in excess of that which another broker might have charged for effecting the same transaction, in recognition of the value of the brokerage and research services provided by or through the broker. Hudson Canyon

believes it is important to its investment decision making process to have access to independent research.

Research furnished by brokers may be used to service any or all of Hudson Canyon's clients and may be used in connection with accounts other than those transacting with the broker providing the research, as permitted by Section 28(e). In addition, there may be times when commissions generated by clients with an equity strategy may result in services that are of benefit only to clients with a fixed income strategy and vice versa.

Brokerage and research services provided by brokers may include, among other things, effecting securities transactions and performing services incidental thereto (such as clearance, settlement, and custody), and providing information regarding: the economy; industries; sectors of securities; individual companies; statistical information; taxation; political developments; legal developments; technical market action; pricing and appraisal services; credit analysis; risk measurement analysis and performance analysis. Such research services are received primarily in the form of written reports, telephone contacts and personal meetings with security analysts. In addition, research services may be provided in the form of access to various computer-generated data, and meetings arranged with corporate and industry spokespersons, economists and representatives of federal and local government agencies.

Private Account clients

For ease of administration and containment of client costs, Hudson Canyon prefers to concentrate the use broker/custodians to hold (or custody) assets and execute transactions on behalf of our private account clients with two (2) organizations: the Schwab Advisor Services division of Charles Schwab & Co., Inc. ("Schwab") and TD Institutional division of T.D. Ameritrade Inc.

Schwab and TD are two of the largest providers of brokerage services to the independent adviser industry, providing web-based operational and technological support and client reporting. In addition, both organizations provide our clients access to a large selection of mutual funds and



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other investments that are generally available only to institutional investors and/or would require a significant minimum initial investment. Concentrating the broker/custodian relationships enables us to more efficiently bunch together or aggregate trades in the same security while controlling the flow of the orders into the market and ensuring that all accounts are treated in a fair and equitable manner. Hudson Canyon recommends, but does not require, that private account clients establish accounts with Schwab or TD. We do not open the account for you, although we may assist you in doing so. When clients choose a broker/custodian other than Schwab or TD, Hudson Canyon is likely to have less influence on brokerage fees or transaction quality. In addition, their trades will typically be placed after the aggregated trades are executed at Schwab or TD, which may cause them to transact at prices less favorable overall than those obtained for accounts maintained at Schwab or TD.

Schwab and TD offer a bundled package of services to clients, including trade execution, trade settlement, custody, daily sweeps of excess cash to money market funds, and client reporting. Schwab and TD are compensated for these services through commissions and other transaction-related or asset-based fees on securities trades that are executed through Schwab or that settle into Schwab accounts. Schwab and TD may also receive fees as an adviser, distributor or shareholder administrator when clients are invested in certain fund products. Schwab and TD have a variety of pricing tiers for retail and institutional clients, and these price tiers may be modified at any time. It is therefore possible that Hudson Canyon clients will pay higher Schwab or TD fees than will certain other Schwab or TD clients.

Schwab and TD provide us with access to their proprietary trade execution platform, including real-time New York Stock Exchange and American Stock Exchange quotations, at no charge. They provide us electronic access to your trade confirmations and account statements as well as daily prices for securities held in your accounts, and they facilitate payment of our quarterly fees directly from your account(s). We have access to a team of Schwab service representatives or TD service representatives

who facilitate administration of your accounts as needed.

Schwab and TD also makes available services that directly benefit Hudson Canyon, including consulting, publications, and conferences on topics such as practice management, information technology, marketing and regulatory compliance. Schwab typically makes these services available, on an unsolicited basis, to all independent investment advisors.

In the case of Schwab, the aforementioned services are offered to advisors with client assets of at least \$10 million maintained in accounts at Schwab Advisor Services. Access to the services is not contingent upon Hudson Canyon committing any specific amount of custody or trading business to Schwab beyond the \$10 million requirement; Hudson Canyon client assets with Schwab exceeded \$36 million at December 31, 2014. If our client assets fall below \$10 million, Schwab will charge us a quarterly fee (currently \$1,200/quarter). Although unlikely, it is possible that our recommendation that clients maintain their assets in accounts at Schwab may be influenced in part by the availability of some of the foregoing services and not solely on the nature, cost or quality of custody and brokerage services provided to clients, which may present a conflict of interest.

Hudson Canyon effects trades with other brokers when we believe better qualitative execution is available elsewhere. However, in this situation the client pays a trade-away fee to Schwab in addition to the commission or other compensation the client pays to the executing broker. For this reason, we elect, generally, to direct trades to Schwab in an effort to minimize client transaction and account costs. Clients who select a broker or custodian other than Schwab should review the information they receive from their selected service provider with respect to trade fees and other account charges.

Notwithstanding the above, we may from time-to-time, enter into arrangements with other broker/custodians with similar service offerings to our clients, benefits for Hudson Canyon and similar potential risks or conflicts of interest situations.



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Directed Brokerage

Hudson Canyon does not accept direction from clients regarding the brokers to be used for their account.

Trade Aggregation and Allocation

Hudson Canyon seeks, but is not obligated, to bunch orders for the purchase or sale of the same security for client accounts where Hudson Canyon deems this to be appropriate and in the best interests of the accounts, consistent with applicable regulatory requirements. When a bunched order is filled in its entirety, each participating client account will participate at the average share prices for the bunched order on the same business day, and the transaction costs shall be shared pro-rata based on each client's participation in the bunched order. When a bunched order is only partially filled, the securities purchased will be allocated on a pro-rata basis to each account participating in the bunched order based upon the initial amount requested for the account, subject to certain exceptions (such as de minimis orders) and each participating account will participate at the average share prices for the bunched order on the same business day.

Hudson Canyon performs investment advisory services for various clients and may give advice, and take action, with respect to any of those which may differ from the advice given, or the timing or nature of action taken, with respect to any one account, provided that over a period of time Hudson Canyon, to the extent practical, allocates investment opportunities to each account on a fair and equitable basis relative to other similarly situated client accounts.

In addition, when trades for SMA programs are directed to the SMA sponsors, a trade rotation process is implemented between SMA programs and institutional accounts and among the different SMA sponsors. This process could result in accounts receiving different prices for the same security. When an SMA sponsor comes up in the rotation, Hudson Canyon generally will not trade for institutional accounts or accounts of other SMA sponsors. To minimize the impact, SMA sponsors are given strict time limitations to complete executions for their accounts.

There can be other exceptions to the process described above. For example, when our investment professionals decide to sell a security regardless of tax considerations, both taxable and tax-exempt accounts are eligible for sale simultaneously. In situations where tax gains influence the sale, securities in the tax-exempt accounts may be placed for sale first, as additional time is needed to consider the tax implications for each taxable account. Conversely, when tax losses influence the sale, we may prioritize taxable clients first, as the loss has a specific impact in a given year. In any event, the prioritization process is applied consistently and objectively over time.

Cross-Transactions

Hudson Canyon does not engage in any cross transactions.

Item 13 – Review of Accounts

A Senior Portfolio Advisor with extensive experience is assigned to each account and is responsible for monitoring and maintaining compliance with client-specific guidelines, the firm's investment policies and compliance with statutory and regulatory requirements.

Once a month all institutional portfolios, and quarterly all private client portfolios, are reviewed by the Chief Investment Officer, the Chief Executive Officer or any other individuals as may be designated from time to time.

Hudson Canyon generally provides monthly or quarterly written statements to clients with separately managed accounts. This report summarizes the portfolio's holdings for the month or quarter by sector and details purchases and sales. For some institutional clients only, a performance page presents the returns for the portfolio at the current month (if monthly report), quarter, year-to-date, and since its inception, as it is compared with the relevant benchmark. Other special reporting is available upon the client's request.

Generally, each separately managed portfolio is formally reviewed at least once a year with the client. Additional reviews may take place during the year as requested by the client. The reviews are generally presented by the respective portfolio manager(s) and/or a senior client service representative. The formal review



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provides the client with the performance of the portfolio in the context of the preceding and anticipated future economic environment.

More-frequent reports may be provided upon request.

Wrap accounts are monitored and values and performance as well as holdings are reported to the client by the platform provider.

Item 14 – Client Referrals and Other Compensation

Hudson Canyon does not currently pay for client referrals, but may do so in the future. All such payments will be made out of Hudson Canyon's assets and will not impact client accounts. Further, we will provide complete details of the referral fee agreement to any client for whom a referral fee is paid.

Hudson Canyon does not receive any compensation other than the investment advisory fees that our clients pay to us. However, certain broker/custodians and issuers of securities provide products and services that are of benefit to us.

For a discussion on these products and services and the conflicts of interest that they create, see above Item 11: Code of Ethics, Participation or Interest in Client transactions and Personal trading, and Item 12, Brokerage Practices.

Item 15 – Custody

Your independent custodian, in some instances, will directly debit your account(s) for the payment of our advisory fees based on our calculations and instructions. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities.

We do not have physical custody of any of your funds and/or securities.

Your funds and securities are held by you, under a contract you have signed directly with a bank, broker-dealer, or other independent, qualified custodian.

You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. We urge you to carefully review both account statements and compare custodial records to the account statements provided by Hudson Canyon. Hudson Canyon statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

Hudson Canyon's clients grant it full discretionary authority over securities purchases and sales, subject to investment objectives and guidelines that are established by agreement between Hudson Canyon and the client at the time the account is opened.

Hudson Canyon may select brokers or dealers that provide research or other transaction-related services and may cause a client to pay such broker-dealer commissions for effecting transaction in excess of commissions other broker-dealers may have charged. Hudson Canyon will consider the full range and quality of a broker's or dealer's services, including, among other things, the value of research provided, execution capability, commission rate, financial responsibility, market making capabilities, efficiency, confidentiality, responsiveness and other factors it deems appropriate.

There are situations in which clients have input into specific investment decisions made with respect to their accounts. For example, some clients are subject to employer-dictated constraints with respect to the purchase of certain securities. Other clients may choose not to sell certain legacy holdings due to anticipated tax consequences. On an exception basis, clients may request the portfolio manager to buy or sell a given security based on their personal feelings with respect to an investment. However, Hudson Canyon typically buys and sells securities for client accounts without any prior notification to or discussion with the client.



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Class Action Lawsuits

Hudson Canyon is not responsible for exercising client's rights to participate in the proceeds of class action lawsuits affecting securities they own or have owned. Hudson Canyon will generally not notify clients regarding class action lawsuits and will not transmit proof of claim forms to clients except upon client request.

Item 17 – Voting Client Securities

Proxy Voting Policies and Procedures

Where Hudson Canyon is responsible to vote proxies for a client, it has adopted policies and procedures (the "Guidelines") in an effort to ensure that votes are cast in the best interests of its clients and that proper documentation is maintained relating to how proxies were voted. Hudson Canyon's basic policies and procedures are as follows:

Under the Guidelines, Hudson Canyon may delegate to a non-affiliated third party vendor, the responsibility to review proxy proposals and make voting recommendations on behalf of Hudson Canyon. Hudson Canyon may also vote a proxy contrary to the Guidelines if we determine that such action in the best interest of our clients. Conflicts of Interests relating to proxy proposals will be handled in various ways depending on the type and materiality.

Generally, where the Guidelines outline Hudson Canyon's voting position as either "for" or "against" a proxy proposal, voting will be in accordance with Hudson Canyon's Guidelines. Where the Guidelines outline Hudson Canyon's voting position to be determined on a "case by case" basis for such proxy proposal, or such proposal is not listed in the Guidelines, then Hudson Canyon will choose either to vote the proxy in accordance with the recommendation of a non-affiliated third party vendor, or vote the proxy pursuant to client direction. The method selected by Hudson Canyon will depend on the facts and circumstances of each situation and the requirements of applicable law. The method selected by Hudson Canyon may also conflict with the interest of the client in voting their securities.

Hudson Canyon may choose not to vote proxies in certain situations or for certain accounts, such as: (1) where a client has informed the firm that it wishes to retain the right to vote the proxy, the firm will instruct the custodian to send the proxy material directly to the client; (2) where the firm deems the cost of voting would exceed any anticipated benefit to the client; (3) where a proxy is received for a client account that has been terminated with the firm; (4) where a proxy is received for a security the firm no longer manages (i.e. the firm had previously sold the entire position), and/or; (5) where the exercise of voting rights could restrict the ability of an account's portfolio manager to freely trade the security in question.

If you are a client of Hudson Canyon and you would like to find out how your proxies have been voted or you would like a complete copy of Hudson Canyon's current Proxy Voting Policies, Procedures and Guidelines please send a written request to:

Hudson Canyon
Attention: Compliance Department
151 Bodman Place - Suite 101
Red Bank, N.J. 07701
Email requests may be sent to:
compliance@hudsoncanyon.net

Item 18 – Financial Information

Hudson Canyon is unaware of any financial condition that would impair its ability to meet our contractual commitments to clients.

Item 19 – Requirements for State-Registered Advisors

Hudson Canyon is a SEC registered advisor and therefore Item 19 is "Not applicable"

Item 20 – Additional Information-

ON THE NEXT PAGE, YOU WILL FIND HUDSON CANYON'S PRIVACY POLICY STATEMENT. PLEASE REVIEW CAREFULLY AND CONTACT US WITH ANY QUESTIONS YOU MAY HAVE.



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CLIENT PRIVACY SUMMARY OF POLICIES AND SAFEGUARDS

(EFFECTIVE MARCH 28, 2011)

Hudson Canyon respects your privacy and recognizes its obligation to safeguard your confidential information. This summary of Hudson Canyon's privacy policy is provided in order to comply with Federal laws which require us to tell you how we collect, share and protect your personal information. We ask that you please read this notice carefully to understand what we do.

Hudson Canyon asks clients for non-public, personal information that we need in order to manage your investments and service your accounts. For example, social security numbers and financial account numbers are necessary to open or update financial accounts, to facilitate client requests for cash transfers or withdrawals, and to produce certain tax documents, among other reasons. We also review your personal information prior to recommending certain investments as well as to comply with anti-money laundering requirements. Even if you decide to end our relationship, we may continue to maintain your information for regulatory, reporting or other purposes. These privacy policies therefore apply to the personal information of all prospective, current and past clients of Hudson Canyon.

POLICY

Hudson Canyon does not sell or share your confidential information with any third-party for their use in research, telemarketing or other marketing purposes. We do share your information with other parties as necessary to process a transaction on your behalf, to service your account, to meet our regulatory obligations or when legally required to do so.

To protect your personal and confidential information from unauthorized access and use, all Hudson Canyon employees must comply and utilize the physical, electronic, and procedural safeguards in place. Our employees are required to act in accordance with the firm's Code of Ethics, to treat client personal information with

the utmost confidentiality, and to adhere to a culture respecting client privacy. Your identifiable personal information is used only in the management and servicing of your investment account(s).

LIMITING THE SHARING OF INFORMATION

If you prefer you may choose to limit the information we share about you with outside companies. You may exercise this choice by contacting us at 201.332.9800.

PROCEDURES

Employees with access to non-public personal information are required to keep such information in a secure compartment when not in use. On a longer-term basis, personal client information is stored in a dedicated file that is locked during non-business hours. Personal client information is shredded before it is disposed of.

All electronic or computer files containing such information are password secured and firewall protected from access by unauthorized persons. Emails generated by Hudson Canyon that contain personal, non-public information are encrypted; clients are advised not to send personal information to us via email unless similarly protected.

Your business is important to us and everyone at Hudson Canyon is committed to maintaining the confidentiality, security and integrity of your personal information.