

Hudson Advisor Services, Inc.

FORM ADV PART 2A DISCLOSURE BROCHURE

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This disclosure brochure provides clients with information about the qualifications and business practices of Hudson Advisor Services, Inc., an independent investment advisory firm registered with the United States Securities and Exchange Commission ("SEC"). It also describes the services Hudson Advisor Services, Inc. provides as well as background information on those individuals who provide investment advisory services on behalf of Hudson Advisor Services, Inc. Please contact Jeremy Hudson, Chief Compliance Officer of Hudson Advisor Services, Inc., at 716-852-7628 if you have any questions about the contents of this disclosure brochure.

The information in this disclosure brochure has not been approved or verified by the SEC or by any state securities authority. Registration with the SEC does not imply that Hudson Advisor Services, Inc. or any individual providing investment advisory services on behalf of Hudson Advisor Services, Inc. possess a certain level of skill or training. Additional information about Hudson Advisor Services, Inc. is available on the Internet at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for Hudson Advisor Services, Inc. is 107769.

Item 2 – Material Changes

This item discusses specific material changes to the Hudson Advisor Services, Inc. disclosure brochure.

Pursuant to current SEC Rules, Hudson Advisor Services, Inc. will ensure that clients receive a summary of any materials changes to this and subsequent brochures within 120 days of the close of the firm's fiscal year which occurs at the end of the calendar year. Hudson Advisor Services, Inc. may further provide other ongoing disclosure information about material changes as necessary.

Hudson Advisor Services, Inc. will also provide clients with a new brochure as necessary based on changes or new information, at any time, without charge.

Since the date of its most recent annual amendment (March 25, 2019) the following material changes have been made to this brochure:

F. Additional Compensation

As stated above in Item 4 – Advisory Business – Hudson Advisor Services may recommend that clients invest in certain specialized portfolios managed by Hudson Capital Advisory, Inc., an affiliated entity and investment adviser registered in the State of New York. The fees charged by Hudson Capital Advisory, Inc. may be higher than the fees of Hudson Advisor Services or other sub-advisors with the same or similar strategy. As this may present a conflict of interest, clients are required to sign a waiver document acknowledging such potential conflict of interest before Hudson Advisor Services will use Hudson Capital Advisory, Inc. as a sub-advisor.

Item 10.C - Financial Industry Affiliations

William N. Hudson, III, minority owner of, and investment adviser representative with, Hudson Advisor Services, Inc., is also the President, principal owner and sole investment adviser representative of Hudson Capital Advisory, Inc., an investment adviser registered in the State of New York. As the two firms have a different target client-base, this does not present a conflict of interest. Hudson Capital Advisory, Inc. may act as a sub-advisor on certain client accounts. As this may cause a conflict of interest, all clients are required to acknowledge such conflict in writing.

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Item 4 - Advisory Business

A. The Company

Hudson Advisor Services, Inc. is a privately-held New York corporation that has been providing investment advisory services as an SEC-registered investment adviser since 1997 (from 1994 to 1997, William N. Hudson, the founder of Hudson Advisor Services, Inc., conducted the business as a sole proprietorship). Throughout this disclosure brochure, Hudson Advisor Services, Inc. is referred to as "Hudson Advisor Services".

The principal owners of Hudson Advisor Services are William N. Hudson, Jr. and Frances Miley.

B. Advisory Services

Hudson Advisor Services provides comprehensive investment management services. Through personal discussions, during which goals and objectives based on a client's particular circumstances are established, Hudson Advisor Services and the client agree on guidelines that quantify the client's risk profile and investment objectives. If requested by the client, Hudson Advisor Services will include outside investments (e.g., investments not directly managed by Hudson Advisor Services) for allocation and planning purposes. Thereafter, Hudson Advisor Services creates and manages a customized portfolio based on that profile, allocating the client's assets among various investments while taking into consideration the client's risk tolerance.

Investment management services may include some or all of the following components (as applicable):

Record Keeping Services

This service includes maintaining asset, liability, income and expense ledgers.

Tax Services

This service includes ongoing tax planning and preparation of client tax returns (with the assistance of a Certified Public Accounting firm).

Asset Management Services

This service includes monitoring the status and valuation of a client's personal and real property in order to recommend changes when, in the opinion of Hudson Advisor Services' principals, conditions indicate it is necessary or desirable.

Sub-Advisory Services

This service includes selecting one or more independent money managers to serve as investment manager(s) of all or a portion of a client's assets. These independent money managers may either be registered investment advisers or firms that are not required to register with federal or state securities authorities. If the independent money manager is registered as an investment adviser, a complete description of the manager's services and fees will be disclosed in the manager's Form ADV Part 2A that will be provided to client.

The selection of a specific independent money manager for a client is based on the client's goals,

objectives and asset allocation decisions. Each investment manager selected will implement a specific investment strategy and philosophy that individually, or combined with other independent money managers or the assets managed by Hudson Advisor Services, will serve to meet the client's asset allocation decisions and advance the client's objectives.

Each independent money manager will have discretion to manage client assets by investing in various equity and fixed income securities. Hudson Advisor Services will monitor the organization, investment philosophy and performance of each independent money manager as well as the economy, investment climate and competitive market conditions for the securities being managed. As a result, Hudson Advisor Services will provide ongoing management services with respect to the client's investment assets. Over time, Hudson Advisor Services may make recommendations to a client regarding proposed changes in the selection of an independent money manager.

Hudson Advisor Services may recommend the use of Hudson Capital Advisory, Inc., an affiliated entity and investment adviser registered with the State of New York "HCA"). HCA provides clients of Hudson Advisor Services with access to two specialized investment strategies - HCA Earnings Growth Portfolio and HCA Healthcare Opportunities Portfolio. As the recommendation of an affiliated entity may present a conflict of interest, any client that will be placed in one or both of the HCA portfolios will be required to sign a waiver document acknowledging the conflict before Hudson Advisor Services will use Hudson Capital Advisory, Inc. as a sub-advisor.

Special Services

This service includes managing tax-deferred plans, assisting in insurance programming and/or responding to the specialized needs or objectives of a client. When required, either upon Hudson Advisor Services' recommendation, or at the request of the client, Hudson Advisor Services will engage counsel, accountants, real estate agents or other professionals to render services in connection with a particular matter for a client.

Hudson Advisor Services will manage advisory accounts on either a discretionary or non-discretionary basis.

C. Client Tailored Services and Client Imposed Restrictions

Hudson Advisor Services offers a full range of investment advisory services which can be tailored to meet the specific needs of each client. In order to provide appropriately individualized services, Hudson Advisor Services will work with the client to obtain information regarding the client's financial circumstances, investment objectives, overall financial condition, income and tax status, personal and business assets, risk profile and other information regarding the client's financial and investment needs.

Hudson Advisor Services will periodically review with clients their financial circumstances, investment objectives and risk profile. In order for Hudson Advisor Services to provide effective advisory services, it is critical that clients provide accurate and complete information to Hudson Advisor Services and inform the firm anytime such information needs to be updated or anytime there is a change in their financial circumstances, investment objectives and/or risk profile.

Generally, clients are permitted to impose reasonable restrictions on investing in certain securities or types of securities in their advisory accounts, provided, however, that some restrictions may not be accommodated when utilizing Exchange Traded Funds, mutual funds or with respect to certain third-party products or services made available through Hudson

Advisor Services. In addition, a restriction request may not be honored if it is fundamentally inconsistent with Hudson Advisor Service's investment philosophy, runs counter to the client's stated investment objectives, or would prevent the firm from properly servicing client accounts.

Whether clients using an independent money manager will be able to place reasonable restrictions on the types of investments which will be made on the client's behalf is at the discretion of the independent money manager.

D. Wrap Fee Programs

Hudson Advisor Services does not provide portfolio management services to a wrap fee program(s). Under a wrap fee program, advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and transaction services (*e.g.*, execution of trades) are provided for one fee. This is different than traditional investment management programs whereby services are provided for a fee, but transaction services are billed separately on a per-transaction basis.

E. Assets Under Management

As of December 31, 2019, the total amount of client assets managed by Hudson Advisor Services is approximately \$ 232,400,000. Of this total amount, approximately \$205,800,000 of client assets are managed on a discretionary basis and approximately \$26,600,000 of client assets are managed on a non-discretionary basis.

Item 5 - Fees And Compensation

A. Advisory Fees

The annual fee for Investment Management Services is charged as a percentage of assets under management and will not exceed 1.00% of the value of the client's portfolio. All fees are subject to negotiation. Details of the investment advisory fee charged are more fully described in the advisory agreement entered into with each client.

Clients will be billed either monthly or quarterly in arrears based upon the prior month's closing value of the client's account. Certain existing client accounts will be billed based on the client's brokerage statement pro rated for deposits and withdrawals (based on a ninety (90) day quarter). For private investments, including alternative investments such as hedge funds, Hudson Advisor Services will use the most recent valuation provided by the private investment manager and carry forward that valuation to the next valuation period.

For the initial calendar quarter, fees will be adjusted pro rata based upon the number of calendar days in the calendar quarter that the advisory agreement was effective. Fees are earned as of the commencement of the investment advisory agreement and are prorated when assets were not managed for the entire quarter.

B. Payment Method

There are two options a client may select to pay Hudson Advisor Services' fees:

Direct Debiting

Each quarter, Hudson Advisor Services will notify the client's qualified custodian of the amount of the fee due and payable to Hudson Advisor Services pursuant to the firm's fee schedule and advisory agreement. The qualified custodian will not validate or check Hudson Advisor Services' fees, its corresponding calculation or the assets on which the fee is based unless the client has retained their services to do so. With the client's pre-approval, the qualified custodian will "deduct" the fee from the client's account or, if the client has more than one account, from the account the client has designated to pay Hudson Advisor Services' advisory fees.

Each month, the client will receive a statement directly from the qualified custodian showing all transactions, positions and credits/debits into or from the client's account. Statements sent after quarter end will also reflect the advisory fee paid by the client to Hudson Advisor Services. It is the client's responsibility to verify the accuracy of the fee calculation.

Billing

Each quarter, Hudson Advisor Services will issue the client an invoice for the firm's services and the client will pay Hudson Advisor Services by check or wire transfer within [insert number of days] of the date of the invoice, or as negotiated and documented in the client's advisory agreement.

C. Additional Fees and Expenses

Mutual Fund Fees

All fees paid to Hudson Advisor Services for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge.

A client could invest in a mutual fund directly, without the services of Hudson Advisor Services. In that case, the client would not receive the services provided by Hudson Advisor Services which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives.

To the extent that client assets are invested in money market funds or cash positions, the fees for monitoring those assets are in addition to the fees included in the internal expenses of those funds paid to their own investment managers, which are fully disclosed in each fund's prospectus. Accordingly, the client should review both the fees charged by the funds and the fees charged by Hudson Advisor Services to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Trading and Other Costs

All fees paid to Hudson Advisor Services for investment advisory services are separate and distinct from transaction fees charged by broker-dealers associated with the purchase and sale of equity securities and options. Please see the section entitled "Brokerage Practices" on page 19 of this disclosure brochure for additional information on brokerage and other transaction costs.

Professional Fees

Fees do not include the services of any co-fiduciaries, accountants, broker dealers or attorneys. Accordingly, the fees of any additional professionals engaged by a client, will be billed directly by such professional(s).

D. Termination and Refunds

The investment management contract is ongoing and does not have a fixed term. The client may terminate the advisory contract at any time upon written notice to Hudson Advisor Services. As Hudson Advisor Services charges fees in arrears, no refund will be due clients upon termination of the investment management agreement.

E. Important Additional Fee Information

Fees Negotiable

Hudson Advisor Services retains the right to modify fees, including minimum account sizes, in its sole and absolute discretion, on a client-by-client basis based on the size, complexity and nature of the advisory services provided. In addition, family accounts and accounts controlled by the same client are often combined for the purpose of computing the fee.

Related Accounts

Certain related accounts (e.g., the accounts of family members) may pay a fixed fee for advisory services. This option is limited to related accounts and is not currently offered to non-related accounts.

F. Additional Compensation

As stated above in Item 4 – Advisory Business – Hudson Advisor Services may recommend that clients invest in certain specialized portfolios managed by Hudson Capital Advisory, Inc., an affiliated entity and investment adviser registered in the State of New York. The fees charged by Hudson Capital Advisory, Inc. may be higher than the fees of Hudson Advisor Services or other sub-advisors with the same or similar strategy. As this may present a conflict of interest, clients are required to sign a waiver document acknowledging such potential conflict of interest before Hudson Advisor Services will use Hudson Capital Advisory, Inc. as a sub-advisor.

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

Hudson Advisor Services does not accept performance-based fees or engage in side-by-side management of client accounts. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Hudson Advisor Services' fees are calculated as described above in Item 5 - Fees and Compensation - and are not charged on the basis of a share of the capital gains upon, or capital appreciation of, the funds in a client's account.

Item 7 - Types of Clients

Hudson Advisor Services provides investment advisory services to individuals (including high net worth individuals), pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other types of business entities.

Engaging the Services of Hudson Advisor Services

All clients wishing to engage Hudson Advisor Services for investment advisory services must sign an investment management agreement that governs the relationship with Hudson Advisor Services. The investment management agreement describes the services and responsibilities of Hudson Advisor Services to the client. It also outlines Hudson Advisor Services' fee in detail.

In addition to completing Hudson Advisor Services' internal documents, clients must complete certain broker-dealer/custodial documentation. Upon completion of these documents, Hudson Advisor Services will be considered engaged by the client. A client has an ongoing responsibility for ensuring that Hudson Advisor Services is informed in a timely manner of changes in the client's investment objectives and risk tolerance.

Conditions for Managing Accounts

Hudson Advisor Services requires new clients to have a minimum account of \$1,000,000, although Hudson Advisor Services retains the right to reduce or waive this minimum account size. Accounts of less than \$1,000,000 may be set up when the client and Hudson Advisor Services anticipate the client will add additional funds to the accounts bringing the total to \$1,000,000 within a reasonable time.

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

A. Methods of Analysis and Investment Strategies

Methods of Analysis

The security analysis method employed by Hudson Advisor Services is essentially fundamental although technical and cyclical factors are considered.

Fundamental Analysis

Fundamental analysis is a method of evaluating securities by attempting to measure the intrinsic value of a stock. Fundamental analysts study the overall economy and industry conditions, the financial condition of a company, details regarding the company's product line, and the experience and expertise of the company's management. The resulting data is used to measure the true value of the company's stock compared to the current market value.

Technical Analysis

Technical analysis involves the examination of past market data rather than specific company data in determining which securities to buy/sell. Technical analysis may involve the use of various quantitative-based calculations, variation metrics and charts to identify

market patterns and trends which may be based on investor sentiment rather than the fundamentals of a company. These trends may include put/call ratios, pricing trends, moving averages, volume, changes in volume, among many others. These trends, both short and long-term, are used for determining specific trade entry and exit points and broad economic analysis.

Cyclical Analysis

Cyclical analysis is similar to technical analysis in that it involves the assessment of market conditions at a macro (e.g., the entire market/economy) or micro (e.g., company specific) level, rather than the overall fundamental analysis of the health of a particular company. Cyclical analysis involves the historical patterns and trends of securities, markets or economies as a whole in an effort to determine future behaviors, the estimation of price movement and an evaluation of a transaction before entry into the market in terms of risk and profit potential.

In addition, the principals of Hudson Advisor Services work closely with individuals in selected investment firms, whom they believe are particularly well-qualified in tracking the macroeconomic scene and trends within industry sections. Security selection is done by consensus of the principals of Hudson Advisor Services after analysis of the information gathered (please see the “Sources of Information” section below).

Investment Committee

Hudson Advisor Services’ investment committee is comprised of William N. Hudson, Jr., William Hudson, III, David Burrows and Jeremy Hudson. While review of current investments and investment opportunities is an ongoing process, the investment committee meets formally on at least a quarterly basis.

Investment Strategies

Hudson Advisor Services will use all or some of the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client’s investment objectives, risk tolerance and time horizons, among other considerations:

Long-Term Purchases

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

Short-Term Purchases

Securities are purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities’ short-term price fluctuations.

Trading

Securities are purchased with the expectation that they will be sold within a very short period of time, generally less than 30 days, in an effort to capture significant market gains and avoid significant market losses during a volatile market.

Short Sales

A securities transaction in which an investor sells borrowed securities in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price.

Margin Transactions

A securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.

Option Writing

An investment strategy utilizing option writing involves selling (writing) an option. An option is the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. When an investor sells (writes) an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. The seller pays the buyer a premium (the market price of the option at a particular time) in exchange for writing the option.

Sources of Information

In conducting security analysis, Hudson Advisor Services may utilize the following sources of information: financial newspapers and magazines, research materials prepared by others, inspection of corporate activities, corporate rating services, annual reports, prospectuses, filings with the U.S. Securities and Exchange Commission and company press releases.

Types of Investments

In General

Investment advice may be offered on any investments held by a client at the start of the advisory relationship. Recommendations for new investments will typically be limited to domestic and foreign equity securities, warrants, commercial paper, corporate debt securities, certificates of deposit, municipal and United States government securities, mutual funds, options and interests in partnerships in oil and gas.

In addition, Hudson Advisor Services will, from time to time, recommend investments in alternative investments (e.g., commodities, futures, hedge funds; funds of hedge funds, private equity, venture capital investments or other types of limited partnerships) when it is appropriate for a client. In certain instances, these alternative investments may be the only investment vehicle a manager offers or such alternative investment may be the only economical method to access the investment skills of a particular manager.

Please see the additional disclosures under the heading “Risk” for information about the material risks involved in investing in alternative investments.

Initial Public Offerings

In cases where a client’s risk profile is more aggressive, Hudson Advisor Services may invest in initial public offerings (IPOs). Clients are informed at the start of the advisory

relationship that IPOs are only available to clients whose assets are held in custody at JP Morgan. Clients with assets in custody elsewhere are offered the opportunity to open a trading account at JP Morgan in order to participate in IPO investments. Please see the section entitled “Brokerage Practices” on page 19 of this disclosure brochure for additional information on allocation of IPO opportunities.

Investing Involves Risk

Investing in securities involves risk of loss that each client should be prepared to bear. The value of a client’s investment may be affected by one or more of the following risks, any of which could cause a client’s portfolio return, the price of the portfolio’s shares or the portfolio’s yield to fluctuate:

- *Market Risk.* The value of portfolio assets will fluctuate as the stock or bond market fluctuates. The value of investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market.
- *Management Risk.* A client’s portfolio is subject to management risk because it is actively managed by the Company’s investment professionals. The Company will apply its investment techniques and risk analysis in making investment decisions for a client’s portfolio, but there is no guarantee that these techniques and the Company’s judgment will produce the intended results.
- *Interest Rate Risk.* Changes in interest rates will affect the value of a portfolio’s investments in fixed-income securities. When interest rates rise, the value of investments in fixed-income securities tend to fall and this decrease in value may not be offset by higher income from new investments. Interest rate risk is generally greater for fixed-income securities with longer maturities or durations.
- *Credit Risk.* An issuer or guarantor of a fixed-income security, or the counterparty to a derivatives or other contract, may be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations. The issuer or guarantor may default causing a loss of the full principal amount of a security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security. Investments in fixed-income securities with lower ratings tend to have a higher probability that an issuer will default or fail to meet its payment obligations.
- *Allocation Risk.* The allocation of investments among different asset classes may have a significant effect on portfolio value when one of these asset classes is performing more poorly than the others. As investments will be periodically reallocated, there will be transaction costs which may be, over time, significant. In addition, there is a risk that certain asset allocation decisions may not achieve the desired results and, as a result, a client’s portfolio may incur significant losses.
- *Foreign (Non-U.S.) Risk.* A portfolio’s investments in securities of non-U.S. issuers may involve more risk than those of U.S. issuers. These securities may fluctuate more widely in price and may be less liquid due to adverse market, economic, political, regulatory or other factors.
- *Emerging Markets Risk.* Securities of companies in emerging markets may be more volatile than those of companies in developed markets. By definition, markets, economies and government institutions are generally less developed in emerging market countries. Investment in securities of companies in emerging markets may

entail special risks relating to the potential for social instability and the risks of expropriation, nationalization or confiscation. Investors may also face the imposition of restrictions on foreign investment or the repatriation of capital and a lack of hedging instruments.

- *Currency Risk.* Fluctuations in currency exchange rates may negatively affect the value of a portfolio's investments or reduce its returns.
- *Derivatives Risk.* Certain strategies involve the use of derivatives to create market exposure. Derivatives may be illiquid, difficult to price and leveraged so that small changes may produce disproportionate losses for a client's portfolio and may be subject to counterparty risk to a greater degree than more traditional investments. Because of their complex nature, some derivatives may not perform as intended. As a result, a portfolio may not realize the anticipated benefits from a derivative it holds or it may realize losses. Derivative transactions may create investment leverage, which may increase a portfolio's volatility and may require the portfolio to liquidate portfolio securities when it may not be advantageous to do so.
- *Capitalization Risk.* Investments in small- and mid-capitalization companies may be more volatile than investments in large-capitalization companies. Investments in small-capitalization companies may have additional risks because these companies have limited product lines, markets or financial resources.
- *Liquidity Risk.* Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing the Company from selling out of such illiquid securities at an advantageous price. Derivatives and securities involving substantial market and credit risk also tend to involve greater liquidity risk.
- *Issuer Specific Risk.* The value of an equity security or debt obligation may decline in response to developments affecting the specific issuer of the security or obligation, even if the overall industry or economy is unaffected. These developments may comprise a variety of factors, including, but not limited to, management issues or other corporate disruption, political factors adversely affecting governmental issuers, a decline in revenues or profitability, an increase in costs, or an adverse effect on the issuer's competitive position.
- *Concentrated Portfolios Risk.* Certain investment strategies focus on particular asset classes, countries, regions, industries, sectors or types of investments. Concentrated portfolios are an aggressive and highly volatile approach to trading and investing. Concentrated portfolios hold fewer different stocks than a diversified portfolio and are much more likely to experience sudden dramatic prices swings. In addition, the rise or drop in price of any given holding is likely to have a larger impact on portfolio performance than a more broadly diversified portfolio.
- *Legal or Legislative Risk.* Legislative changes or court rulings may impact the value of investments or the securities' claim on the issuer's assets and finances.

B. Risks Associated with Investment Strategies and Methods of Analysis

Risks Associate with Investment Strategies

Long-Term Purchases

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 your particular investments will decrease in value even if the overall financial markets advance. Purchasing investments long-term may create an

opportunity cost (e.g., “locking-up” assets that may be better utilized in the short-term in other investments).

Short-Term Purchases

Using a short-term purchase strategy generally assumes that the performance of the financial markets can be accurately predicted over the short-term. The risk associated with a short-term purchase strategy is that there are many factors that may affect market performance in the short-term including interest rate fluctuations, cyclical earnings, etc. Such factors may have a smaller impact over the longer-term. In addition, short-term trading may incur a disproportionately higher amount of transaction costs compared to long-term trading.

Trading

Strategies involving frequent trading of securities can affect investment performance through increased brokerage and other transaction costs and taxes.

Short Sales

Short selling is very risky. The primary risk associated with selling a security that was borrowed in anticipation of a price decline is that if the price of those borrowed shares *increases*, the potential losses are *unlimited*.

Margin Transactions

When buying stocks on margin, you are employing leverage as an investing strategy. Leverage allows an investor to extend their financial reach by investing using borrowed funds while limiting the amount of their own cash they expend. This can involve a high degree of risk, including, but not limited to:

- Losing more money than you have invested;
- Paying interest on your loan;
- Being required to deposit additional cash or securities in your account on short notice to cover market losses;
- Being forced to sell some or all of your securities when falling stock prices reduce the value of your securities; and/or
- Having your brokerage firm sell some or all of your securities without consulting you to pay off the loan it made to you.

Option Writing

There are numerous risks associated with transactions in options on securities or securities indexes and therefore, are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss of principal. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. For example, as the writer of covered call options, the client forgoes, during the option's life, the opportunity to profit from increases in the market value of the underlying security or the index above the sum of the option premium received and the exercise price of the call, but has retained the risk of loss, minus the option premium received, should the price of the underlying security decline. In the case of index options, the client incurs basis risk between the performance of the underlying portfolio and the performance of the

underlying index (e.g., the underlying portfolio may decline in value while the underlying index may increase in value, resulting in a loss on the call option while the underlying portfolio declines as well).

Risk Associated with Methods of Analysis

The analysis of securities requires subjective assessments and decision-making by experienced investment professionals, however, there is always the risk of an error in judgment.

Hudson Advisor Services' securities analysis methods rely on the assumption that the companies whose securities the firm purchases and sells, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While Hudson Advisor Services is alert to indications that data may be incorrect, there is always the risk that the firm's analysis may be compromised by inaccurate or misleading information.

Fundamental Analysis

Fundamental analysis, when used in isolation, has a number of risks:

- 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.
- The data used may be out of date.
- It ignores the influence of random events such as oil spills, product defects being exposed, acts of God and so on.
- It assumes that there is no monopolistic power over markets.
- The market may fail to reach expectations of perceived value.

Technical Analysis

The primary risk in using technical analysis is that spotting historical trends may not help predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that the Company will be able to accurately predict such a reoccurrence.

Cyclical Analysis

The primary risk in using cyclical analysis is that economic/business cycles may not be predictable and may have many fluctuations between long-term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore, there is an attendant difficulty in predicting economic trends. Consequently, the changing value of securities that would be affected by these changing trends.

C. Risks Associated with Specific Securities Utilized

Common Stocks

The major risks associated with investing in common stocks relate to the issuer's capitalization, quality of the issuer's management, quality and cost of the issuer's services, the issuer's ability to manage costs, efficiencies in the manufacturing or service delivery

process, management of litigation risk and the issuer's ability to create shareholder value (e.g., increase the value of the company's stock price).

Preferred Stocks

Preferred stock dividends are generally fixed in advance. Unlike requirements to pay interest on certain types of debt securities, the company that issues preferred stock may not be required to pay a dividend and may stop paying the dividend at any time. Preferred stock may also be subject to mandatory redemption provisions and an issuer may repurchase these securities at prices that are below the price at which they were purchased by the investor. Under these circumstances, a client account holding such preferred securities could lose money.

Convertible Stocks

The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value."

The investment value of a convertible security is influenced by changes in interest rates, the credit standing of the issuer and other factors. The conversion value of a convertible security is determined by the market price of the underlying common stock. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. A convertible security will generally be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible is called for redemption, a client will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on a client's ability to achieve their investment objective.

Fixed-Income Securities

Different forms of fixed-income instruments, such as bonds, money market funds, and certificates of deposit may be affected by various forms of risk, including:

- *Interest Rate Risk.* The risk that the value of the fixed-income holding will decrease because of an increase in interest rates.
- *Liquidity Risk.* The inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While certain types of fixed-income securities are generally liquid (e.g., corporate bonds), there are risks which may occur such as when an issue trading in any given period does not readily support buys and sells at an efficient price. Conversely, when trading volume is high, there is also the risk of not being able to purchase a particular issue at the desired price.
- *Credit Risk.* The potential risk that an issuer would be unable to pay scheduled interest or repay principal at maturity, sometimes referred to as "default risk." Credit risk may also occur when an issuer's ability to make payments of principal and interest when due is interrupted. This may result in a negative impact on all forms of debt instruments.
- *Reinvestment Risk.* With declining interest rates, investors may have to reinvest income or principal at a lower rate.

- *Duration Risk.* Duration is a measure of a bond's volatility, expressed in years to be repaid by its internal cash flow (interest payments). Bonds with longer durations carry more risk and have higher price volatility than bonds with shorter durations.

Municipal Bonds

In addition to the risks set forth under "Fixed-Income Securities" above, municipal bonds are susceptible to events in the municipality that issued the bond or the security posted for the bond. These events may include economic or political policy changes, changes in law, tax base erosion, state constitutional limits on tax increases, budget deficits or other financial difficulties and changes in the credit rating assigned to municipal issues.

Federal Agency Securities

Although the issuer may be chartered or sponsored by an Act of Congress, the issuer is not funded by Congressional appropriations and its debt and equity securities are neither guaranteed nor insured by the U.S. Government. Without a more explicit commitment, there can be no assurance that the U.S. Government will provide financial support to such issuers or their securities.

Exchange Traded Funds

ETFs are subject to risks similar to those of stocks. Investment returns will fluctuate and are subject to market volatility, so that when shares are sold they may be worth more or less than their original cost. ETF shares are bought and sold at market price (not Net Asset Value) and are not individually redeemed from the fund. There is also the risk that a manager may deviate from the stated investment mandate or strategy of the ETF which could make the holdings less suitable for a client's portfolio. ETFs may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees. In addition, while many ETFs are known for their potential tax efficiency and higher "qualified dividend income" (QDI) percentages, there are asset classes within these ETFs or holding periods that may not benefit. Shorter holding periods, as well as commodities and currencies that may be part of an ETF's portfolio, may be considered "non-qualified" under certain tax code provisions.

Equity Funds

The major risks associated with investing in equity mutual funds is similar to the risks associated with investing directly in equity securities, including market risk, which is the risk that investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Other risks include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification and the type and amount of sector diversification within specific industries. In addition, there is the risk that a manager may deviate from the stated investment mandate or strategy of the mutual fund which could make the holdings less suitable for a client's portfolio. Also, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold their shares in the fund. Mutual funds may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees.

Fixed-Income Funds

In addition to the risks associated with investing in equity mutual funds, fixed-income mutual funds also the same risks as set forth under “Fixed-Income Securities” listed above.

Indexed Funds

Indexed Funds have the potential to be affected by “tracking error risk” which means a deviation from a stated benchmark index. Since the core of a portfolio may attempt to closely replicate a benchmark, the source of the tracking error (deviation) may come from a “sample index” that may not closely align the benchmark. In addition, while many index mutual funds are known for their potential tax efficiency and higher “qualified dividend income” (QDI) percentages, there are assets classes within these funds or holding periods that may not benefit. Shorter holding periods, as well as commodities and currencies that may be part of a fund’s portfolio, may be considered “non-qualified” under certain tax code provisions.

Options

There are numerous risks associated with transactions in options on securities or securities indexes. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. In the case of index options, the client incurs basis risk between the performance of the underlying portfolio and the performance of the underlying index. For example, the underlying portfolio may decline in value while the underlying index may increase in value, resulting in a loss on the call option while the underlying portfolio declines as well.

Real Estate Related Securities

Investing in real estate related securities includes, among others, the following risks: possible declines in the value of real estate; risks related to general and local economic conditions, including increases in the rate of inflation, possible lack of availability of mortgage funds, overbuilding, extending vacancies of properties, increases in competition, property taxes and operating expenses, changes in zoning laws, costs resulting from clean up of, and liability to third-parties for damages resulting from, environmental problems, casualty and condemnation losses, uninsured damages from floods, earthquakes or other natural disasters, limitations on and variations in rents and changes in interest rates. Investing in Real Estate Investment Trusts (“REITs”) involves certain unique risks in addition to those risks associated with investing in real estate in general. REITs are dependent upon the skills of management, are not diversified and are subject to cash flow dependency, default by borrowers and self-liquidation.

Structured Products

A portfolio’s investments in structured finance arrangements, including Collateralized Mortgage Obligations (CMOs), Collateralized Debt Obligations (CDOs) and Collateralized Loan Obligations (CLOs), involve the risks associated with the underlying pool of securities or other assets, as well as risks different or greater than the risks affecting the underlying assets. In particular, these investments may be less liquid than other debt obligations, making it difficult to value an investment or sell the investment in a timely manner or at an acceptable price.

Master Limited Partnerships

Master Limited Partnerships (MLPs) are a type of limited partnership that is publicly traded and sells like a common stock on the major stock exchanges. There are two types of partners in this type of partnership: The limited partner is the person or group that provides the capital to the MLP and receives periodic income distributions from the MLP's cash flow, whereas the general partner is the party responsible for managing the MLP's affairs and receives compensation that is linked to the performance of the venture. MLP investors face several kinds of risk that are inherent in these types of investments and in the market, including loss of money, volatility and interest rate risk.

Alternative Investments

The performance of alternative investments (e.g., commodities, futures, hedge funds; funds of hedge funds, private equity or other types of limited partnerships) can be volatile. Alternative investments generally involve various risk factors and liquidity constraints, a complete discussion of which is set forth in the offering documents of each specific alternative investment. Due to the speculative nature of alternative investments a client must satisfy certain income or net worth standards prior to investing.

Private Equity Funds

Private Equity Funds may be affected by various forms of risk, including:

- *Long-term Investment.* Unlike mutual funds, which generally invest in publicly traded securities that are relatively liquid, private equity funds generally invest in large amounts of illiquid securities from private companies. Depending on the strategy used, private real estate funds will have illiquid underlying investments that may not be easily sold, and investors may have to wait for improvements or development before any redemption. Given the illiquid nature of the underlying purchases made by private equity and private real estate managers, private equity and private real estate funds are considered long-term investments. Private equity funds are generally set up as 10- to 15-year investments with little or no provision for investor redemptions. Private real estate funds are generally seven- to ten-year investments and also have limited provisions for redemptions. With long-term investments, you should consider your financial ability to bear large fluctuations in value and hold these investments over a number of years.
- *Difficult Valuation Assessment.* The portfolio holdings in private equity and private real estate funds may be difficult to value, because they are not usually quoted or traded on any financial market or exchange. As such, no easily available market prices for most of a fund's holdings are available. Additionally, it may be hard to quantify the impact a manager has had on underlying investments until those investments are sold.
- *Lack of Liquidity.* Private equity and private real estate funds are not "liquid" (they can't be sold or exchanged for cash quickly or easily), and the interests are typically non-transferable without the consent of a fund's managing member. As a result, private equity and private real estate funds are generally only suitable for sophisticated investors who have carefully considered their financial capability to hold these investments for the long term.
- *Capital Call Default Consequences.* Answering capital calls to provide managers with the pledged capital is a contractual obligation of each investor. Failure to meet this requirement in a timely manner could elicit significant adverse consequences,

including, without limitation, the forfeiture of the defaulting investor's interest in the fund.

- *Leverage.* Private equity and private real estate funds may use leverage in connection with certain investments or participate in investments with highly leveraged capital structures. Although the use of leverage may enhance returns and increase the number of investments that can be made, leverage also involves a high degree of financial risk and may increase the exposure of such investments to factors such as rising interest rates, downturns in the economy or deterioration in the condition of the assets underlying such investments.
- *Lack of Transparency.* Private equity and private real estate funds are not required to provide investors with information about their underlying holdings or provide periodic pricing and valuation information. Therefore, you are often putting your complete trust in the managers' abilities to meet their funds' objectives, without the benefit of knowing their investment selections. This lack of information may make it more difficult for investors to evaluate the risks associated with the funds.
- *Manager Risk.* Private equity and private real estate fund managers have total investment authority over their funds, and the managers' skill is normally responsible for the investment returns. Therefore, if the founder or key person departs, the returns of the fund may be impacted. Investors have no control or influence in the management of the fund, although they will receive periodic reports from the fund manager. Also, your investment in one fund that uses a generally similar investment strategy as another fund could lessen your overall diversification, and consequently, increase your investment risk.
- *Regulation.* Private equity and private real estate funds are subject to fewer regulatory requirements than mutual funds and other registered investment company products and thus may offer fewer legal protections than you would have if you invested in more traditional investments.

Frequent Trading and Investment Performance

Strategies involving frequent trading of securities can affect investment performance through increased brokerage and other transaction costs and taxes.

Note that there may be other circumstances not described here that could adversely affect a client's investment and prevent their portfolio from reaching its objective.

D. Cash Management

Cash balances in client accounts are typically invested in money market mutual funds. These cash balances are included in the account market value for the computation of the investment management fee. Hudson Advisor Services will not, however, charge a fee on large cash balances that may result from an excessive inflow of cash.

Item 9 - Disciplinary History

Hudson Advisor Services is required to disclose any legal or disciplinary events that are material to a client's or a prospective client's evaluation of the firm's advisory business or the integrity of Hudson Advisor Services management. Neither Hudson Advisor Services nor any of its management persons have any reportable disciplinary history.

Item 10 - Other Financial Industry Activities and Affiliations

A. Broker-Dealer Registration and Registered Representatives

Hudson Advisor Services is not registered, nor does it have an application pending to register, as a broker-dealer. No management person is registered, nor does any management person have an application pending to register, as a registered representative of a broker-dealer.

B. Futures and Commodity Registration

Hudson Advisor Services is not registered, nor does it have an application pending to register, as a futures commission merchant, commodity pool operator or a commodity trading advisor. No management person is registered, nor does any management person have an application pending to register, as an associated person of a futures commission merchant, commodity pool operator or a commodity trading advisor.

C. Financial Industry Affiliations

William N. Hudson, III, minority owner of, and investment adviser representative with, Hudson Advisor Services, is also the President, principal owner and sole investment adviser representative of Hudson Capital Advisory, Inc., an investment adviser registered in the State of New York. Hudson Capital Advisory, Inc. may act as a sub-adviser on certain client accounts. As this may cause a conflict of interest, all clients are required to acknowledge such conflict in writing.

Hudson Advisor Services does not have any other financial industry affiliations to disclose.

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

Our Code of Ethics

Hudson Advisor Services has adopted a Code of Ethics to prevent violations of federal securities laws. The Code of Ethics is predicated on the principle that Hudson Advisor Services and its employees owe a fiduciary duty to its clients. Accordingly, Hudson Advisor Services expects all employees to act with honesty, integrity and professionalism and to adhere to federal securities laws. Hudson Advisor Services and its employees are required to adhere to the Code of Ethics. At all times, Hudson Advisor Services and its employees must (i) place client interests ahead of Hudson Advisor Services'; (ii) engage in personal investing that is in full compliance with Hudson Advisor Services' Code of Ethics; and (iii) avoid taking advantage of their position. Clients and prospective clients may request a copy of Hudson Advisor Services' Code of Ethics by contacting Jeremy Hudson, Chief Compliance Officer of Hudson Advisor Services at 1-877-504-1964.

Prohibition on Use of Insider Information

Hudson Advisor Services has also adopted policies and procedures to prevent the misuse of "insider" information. A copy of Hudson Advisor Services' Insider Trading policies and

procedures is available to any client or prospective client upon request. For a copy of Hudson Advisor Services' Insider Trading policies and procedures, please contact Jeremy Hudson, Chief Compliance Officer of Hudson Advisor Services at 1-877-504-1964.

Participation or Interest in Client Transactions

Hudson Advisor Services or individuals associated with Hudson Advisor Services may buy, sell, or hold in their personal accounts the same securities that Hudson Advisor Services recommends to its clients.

It is possible that associated persons of Hudson Advisor Services may have a financial interest, directly or indirectly, in a class of security that is also in clients' portfolios. Where Hudson Advisor Services' stock selection indicates that it is appropriate to sell that particular class of security (as opposed to when client's individual needs dictate), client securities will be sold prior to or simultaneously with the sale of securities of the same class in which any of Hudson Advisor Services' associated persons have a financial interest. Similarly, any new purchase of a class of security on behalf of a client will be effected prior to or simultaneously with any purchase of a security of the same class effected, directly or indirectly, on behalf of any of Hudson Advisor Services' associated persons.

Hudson Advisor Services and its associated persons may purchase or sell specific securities for their account based on personal investment consideration without regard to whether the purchase or sale of such security is appropriate for clients.

Item 12 - Brokerage Practices

A. Brokerage Selection

Best Execution

Best execution has been defined by the SEC as the "execution of securities transactions for clients in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances." The best execution responsibility applies to the circumstances of each particular transaction and an investment adviser must consider the full range and quality of a broker-dealer's services, including, among other things, execution capability, commission rates, the value of any research, financial responsibility and responsiveness.

When placing portfolio transactions for client accounts, Hudson Advisor Services' primary objective is to obtain the best price and best execution, taking into account the costs, promptness of execution and other qualitative considerations.

Broker Analysis

Hudson Advisor Services evaluates a wide range of criteria in seeking the most favorable price and market for the execution of transactions. These include the broker-dealer's trading costs, efficiency of execution and error resolution, financial strength and stability, capability, positioning and distribution capabilities, information in regard to the availability of securities, trading patterns, statistical or factual information, opinion pertaining to trading and prior performance in serving Hudson Advisor Services.

Also in consideration is such broker-dealers' provision or payment of the costs of research and other investment management-related services (the provisional payment of such costs by brokers are referred to as payment made by "soft dollars", as further discussed in the "Research/Soft Dollars Benefits" section immediately below). Accordingly, if Hudson Advisor Services determines in good faith that the amount of trading costs charged by a broker-dealer is reasonable in relation to the value of the brokerage and research or investment management-related services provided by such broker, the client may pay trading costs to such broker in an amount greater than the amount another broker might charge.

Hudson Advisor Services' Chief Compliance Officer is responsible for continuously monitoring and evaluating the performance and execution capabilities of broker-dealers that transact orders for our client accounts to ensure consistent quality executions. In addition, Hudson Advisor Services periodically reviews its transaction costs in light of current market circumstances and other relevant information.

Research/Soft Dollar Benefits

Broker-Dealers

Hudson Advisor Services does not use soft dollars. However, Hudson Advisor Services does participate in TD Ameritrade's institutional customer program, sponsored by TD Ameritade, Inc. ("TDA"), a FINRA registered broker dealer and the Fidelity Institutional Wealth Services Group ("Fidelity") program, sponsored by Fidelity Brokerage Services, Inc., a FINRA registered broker dealer. Hudson Advisor Services may recommend TD Ameritrade and/or Fidelity to clients for custody and brokerage services.

There is no direct link between Hudson Advisor Services' participation in the TDA or Fidelity programs and the investment advice it gives to its clients, although Hudson Advisor Services receives economic benefits through its participation in these programs that are typically not available to retail investors, including the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations;
- Research related products and tools;
- Consulting services; access to a trading desk serving adviser participants;
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts);
- The ability to have advisory fees deducted 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 Hudson Advisor Services by third party vendors.

TDA and/or Fidelity may also have paid for business consulting and professional services received by Hudson Advisor Services' related persons. Some of the products and services made available through the TDA and Fidelity programs may benefit Hudson Advisor Services but may not benefit its client accounts. These products or services may assist

Hudson Advisor Services in managing and administering client accounts, including accounts not maintained at these broker-dealers. Other services made available by these broker-dealers are intended to help Hudson Advisor Services manage and further develop its business enterprise.

The benefits received by Hudson Advisor Services or its personnel through participation in the TDA and Fidelity programs do not depend on the amount of brokerage transactions directed to these broker-dealers. As part of its fiduciary duties to clients, Hudson Advisor Services endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Hudson Advisor Services or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Hudson Advisor Services' choice of these broker-dealers for custody and brokerage services.

Hudson Advisor Services Discretion

For those clients that grant Hudson Advisor Services discretionary brokerage authority, Hudson Advisor Services is authorized by the client to select the broker or dealer to be used and to determine the commission rate paid. Hudson Advisor Services will utilize the brokerage and clearing services of Fidelity Brokerage Services, Inc., TD Ameritrade, Inc. and/or JP Morgan.

Please see the disclosures in the "Best Execution" and "Broker Analysis" sections beginning on page 19 of this disclosure brochure for additional information on the criteria used by Hudson Advisor Services to select client brokerage.

Hudson Advisor Services Directed Brokerage

For those clients for which Hudson Advisor Services does not have the discretionary authority to determine the broker-dealer to be used, Hudson Advisor Services will recommend the use of Fidelity Brokerage Services, Inc., TD Ameritrade, Inc. and/or JP Morgan.

Hudson Advisor Services does not participate in any transaction fees or commissions paid to the broker dealer or custodian and does not receive any fees or commissions for the opening or maintenance of client accounts at recommended brokers.

Not all investment advisers require their clients to direct brokerage. Hudson Advisor Services is required to disclose that by directing brokerage, Hudson Advisor Services may not be able to achieve most favorable execution of client transactions and that this practice may cost clients more money.

Client Directed Brokerage

Certain clients may direct Hudson Advisor Services to use particular brokers for executing transactions in their accounts. With regard to client directed brokerage, Hudson Advisor Services is required to disclose that Hudson Advisor Services may be unable to negotiate commissions, block or batch orders or otherwise achieve the benefits described above, including best execution. Directed brokerage commission rates may be higher than the rates Hudson Advisor Services might pay for transactions in non-directed accounts. Therefore, directing brokerage may cost clients more money.

Hudson Advisor Services encourages each client to compare the possible costs or disadvantages of directed brokerage against the value of custodial or other services provided by the broker to the client in exchange for the directed brokerage designation.

B. Trade Aggregation/Allocation

In General

It is the objective of Hudson Advisor Services to provide a means of allocating trading and investment opportunities between advisory clients on a fair and equitable basis and in compliance with all applicable state and federal guidelines. With respect to clients' accounts with substantially similar investment objectives and policies, Hudson Advisor Services may often seek to purchase or sell a particular security in each account. Hudson Advisor Services will aggregate orders only when such aggregation is consistent with Hudson Advisor Services' duty to seek best execution and is consistent with the investment objective of each client. No client account will be unfairly favored over any other account. Each client that participates in an aggregated order will participate based on the average execution price in that particular security. All transaction costs will be allocated pro rata based on each client's participation in the transaction. All securities purchased or sold, whether the order is filled completely or partially, will then be allocated pro rata based on the assets of each account.

Initial Public Offerings

At the time which a new issue is offered, Hudson Advisor Services reviews the deal specifics. After due diligence is satisfied, Hudson Advisor Services will review all client portfolios who are eligible to participate in each deal (based upon cash balances, asset allocation, client approval brokerage account, etc.).

C. Trade Errors

Trade errors are promptly reported to the broker-dealer/custodian and will be rectified by the broker-dealer/custodian with no adverse financial effect on the client.

Item 13 - Review Of Accounts

Reviews

All investment policy, general stock selections and major review of advisory accounts are conducted jointly by an investment committee consisting of William Hudson, Jr., William Hudson, III, Jeremy Hudson and David Burrows. Close personal contact with advisory clients is regularly maintained. Functionally, there exists an informal "area of concentration" on a day-to-day basis.

Hudson Advisor Services has a proprietary research process focusing on fundamental information to analyze securities..

Reports

Clients will receive statements from the custodian at least quarterly. A Client will elect the settings for which documents the custodian will send and how often such documents will be sent with the client's particular custodian. In addition, Hudson Advisor Services will send each client a quarterly portfolio report.

Item 14 - Client Referrals And Other Compensation

A. Economic Benefits

Hudson Advisor Services does not receive any economic benefits such as sales awards or other prizes from any non-client for providing investment advisory services to the firm's clients.

B. Client Referrals

From time to time, Hudson Advisor Services may retain solicitors to refer investors. If a client is introduced to Hudson Advisor Services by either an unaffiliated or an affiliated solicitor, Hudson Advisor Services may pay that solicitor a referral fee in accordance with the all requirements of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Hudson Advisor Services' management fees, and shall not result in any additional charge to the client.

If the client is introduced to Hudson Advisor Services by an unaffiliated solicitor, the solicitor must, at the time of the solicitation:

1. Disclose the nature of their solicitor relationship;
2. Provide each prospective client with a copy of the Hudson Advisor Services written disclosure brochure;
3. Provide each prospective client a copy of the solicitor's written disclosure statement that discloses the terms of the solicitation arrangement between Hudson Advisor Services and the solicitor, including the compensation to be received by the solicitor.

Any affiliated solicitor of Hudson Advisor Services shall disclose the nature of their relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of this written disclosure statement.

Item 15 - Custody

Hudson Advisor Services has custody over certain client accounts as a result of certain principals of the firm serving as trustee over client accounts or having full power of attorney over client accounts. Hudson Advisor Services engages the services of an independent public accounting firm to conduct a surprise audit of the assets maintained in such client accounts.

In addition, custody of client assets will be maintained with the independent custodian selected by the client. Clients will be solely responsible for paying all fees or charges of the custodian. Clients will authorize Hudson Advisor Services to give the custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent or other investment for the client's account.

Clients will receive directly from the custodian at least quarterly a statement showing all transactions occurring in the client's account during the period covered by the account statement, and the funds, securities and other property in the client's account at the end of the period. Clients are urged to carefully review account statements sent by their broker-

dealer/custodian and to compare the account statement provided by the broker-dealer/custodian with any statements provided by Hudson Advisor Services.

Item 16 - Investment Discretion

For those client accounts over which Hudson Advisor Services has discretion, Hudson Advisor Services requests that it be provided with written authority (e.g., limited power of attorney contained in Hudson Advisor Services' Investment Management Agreement) to determine the amounts of securities that are bought or sold. Any limitations on this discretionary authority shall be included in this written authority statement. Clients may change or amend these limitations as required. All such amendments shall be submitted in writing.

Hudson Advisor Services generally has discretionary authority to make the following determinations without obtaining the consent of the client before the transactions are effected: (1) which securities are bought and sold for the account; (2) the total amount of securities to be bought and sold; (3) the broker or dealer to be used; and (4) the commission rates paid. Hudson Advisor Services' authority in making investment related decisions may be limited by account guidelines, investment objectives and trading restrictions, as agreed between Hudson Advisor Services and the client.

Item 17 - Voting Client Securities

Proxy Voting

Hudson Advisor Services does not vote proxies on behalf of its clients. Therefore, although Hudson Advisor Services may provide investment advisory services relative to client investment assets, it is the client that maintains exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceeding or other type events pertaining to the client's investment assets. Hudson Advisor Services and/or the client shall correspondingly instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets. Clients can contact Jeremy Hudson, Chief Compliance Officer of Hudson Advisor Services, at 716-852-7628 if they have questions regarding a particular solicitation.

Class Action Settlements

Although Hudson Advisor Services may have discretion over client accounts, it will not be responsible for handling client claims in class action lawsuits or similar settlements involving securities owned by the client. Clients will receive the paperwork for such claims directly from their account custodians. Each client should verify with their custodian or other account administrator whether such claims are being made on the client's behalf by the custodian or if the client is expected to file such claims directly. Hudson Advisor Services may review class action settlements on a case by case basis, but the client will make the direct decisions regarding these notices.

Item 18 - Financial Information**A. Prepayment of Fees**

Because Hudson Advisor Services does not require or accept prepayment of more than \$1,200 in fees six months or more in advance, Hudson Advisor Services is not required to include a balance sheet with this disclosure brochure.

B. Financial Condition

Hudson Advisor Services does not have any adverse financial conditions to disclose.

C. Bankruptcy

Hudson Advisor Services has never been the subject of a bankruptcy petition.

Item 19 - Additional Information**Privacy Notice**

Hudson Advisor Services views protecting its clients' private information as a top priority and has instituted policies and procedures to ensure that client information is private and secure. Hudson Advisor Services does not disclose any nonpublic personal information about its clients or former clients to any nonaffiliated third parties, except as permitted or required by law. In the course of servicing a client's account, Hudson Advisor Services may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers, etc. Hudson Advisor Services restricts internal access to nonpublic personal information about the client to those persons who need access to that information in order to provide services to the client and to perform administrative functions for Hudson Advisor Services. As emphasized above, it has always been and will always be Hudson Advisor Services' policy never to sell information about current or former clients or their accounts to anyone. It is also Hudson Advisor Services' policy not to share information unless required to process a transaction, at the request of a client, or as required by law. For the full text of Hudson Advisor Services' Privacy Policy, please contact Jeremy Hudson, Chief Compliance Officer of Hudson Advisor Services, at 716-852-7628.

Additional Requests for Information

Clients may contact Jeremy Hudson, Chief Compliance Officer of Hudson Advisor Services, at 1-877-504-1964 to request additional information or submit a complaint. Written complaints should be sent to Hudson Advisor Services, Inc., 237 Main Street, Buffalo, NY 14203.