

Disclosure To Clients In Compliance with FINRA Rule 3510(e) Regarding Continuity And Contingency Plans For Hudson Securities, Inc.

Firm Policy

Our firm's policy is to respond to a Significant Business Disruption (SBD) by safeguarding employees' lives and firm property, making a financial and operational assessment, quickly recovering and resuming operations, protecting all of the firm's books and records, and allowing our customers to transact business. In the event that we determine we are unable to continue our business, we will assure customers prompt access to their funds and securities.

A. Significant Business Disruptions (SBDs)

Our plan anticipates two kinds of SBDs, internal and external. Internal SBDs affect only our firm's ability to communicate and do business, such as a fire in our building. External SBDs prevent the operation of the securities markets or a number of firms, such as a terrorist attack, a city flood, or a wide-scale, regional disruption. Our response to an external SBD relies more heavily on other organizations and systems, especially on the capabilities of our clearing firm.

II. Business Description

Our firm conducts business primarily in equity securities. Our firm is an introducing firm and does not perform any type of clearing function for itself or others. Furthermore, we do not hold customer funds or securities. We accept and enter orders. All transactions are sent to our clearing firm, which compares them, allocates them, clears and settles them. Our clearing firm also maintains our customers' accounts, can grant customers access to them, and delivers funds and securities. Our firm services retail and institutional customers. We sometimes engage in private placements.

The firm has fully disclosed clearing firms Goldman Sachs Execution and Clearing L.P. ("Goldman Sachs") and Broadcort, a division of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Broadcort"). Goldman Sachs Execution and Clearing L.P. ("Goldman Sachs") address is 120 Broadway, New York, NY 10271. Broadcort, a division of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Broadcort") address is 101 Hudson Street, 10th Floor, Jersey City, NJ 07302.

III. Office Locations

Our Firm has offices located in Jersey City, New Jersey, Tinton Falls, New Jersey, BocaRaton, Florida, Chicago, IL, Atlanta GA, and Norwalk, CT.

A. Jersey City, New Jersey

Our main office is located at 111 Town Square Place., Jersey City, NJ 07310. Its main telephone number is (201) 216-0100. Our employees may travel to that office by means of foot, car, subway, train, bus, boat or plane. We engage in order taking and entry at this location.

B. Boca Raton, Florida

Our Boca Raton, Florida Office is located at 5550 Glades Road, Boca Raton, FL 33431. Its main telephone number is (800) 898-2777. Our employees may travel to that office by means of foot, car, subway, train, bus, boat or plane. We engage in order taking and entry at this location.

C. Tinton Falls, New Jersey

Our Tinton Falls, New Jersey Office is located at 106 Apple Street, N. J. 07724. Its main telephone number is (201) 216-9100. Our employees may travel to that office by means of foot, car, train, bus, boat or plane. We engage in order taking and entry at this location.

D. Norwalk, Connecticut

Our Norwalk, Connecticut office is located at 488 Main Avenue, Norwalk, CT 06851. Its main telephone number is (212) 908-7900. Our employees may travel to that office by means of foot, car and bus. We engage in order taking and entry at this location.

E. Atlanta, GA

Our Atlanta, GA office is located at 6 Concourse Pkwy, Atlanta GA 30328. Its main telephone number is (678) 578-0400. Our employees may travel to that office by means of foot, car and bus. We engage in order taking and entry at this location.

G. Chicago, IL

Our Chicago, IL office is located at 1 East Wacker Drive, Suite 2920, Chicago, IL 60601. Its main telephone number is (312) 334 4401. Our employees may travel to that office by means foot, car and bus. We engage in Institutional Research, Research Sales, and Investment Banking at this location.

IV. Alternative Physical Location(s) of Employees

In the event of an SBD, we will move our staff from affected offices to the closest of our unaffected office locations. If none of our other office locations is available to receive those staff, we will move them to any available and adequate facility.

V. Customers' Access to Funds and Securities

Our firm does not maintain custody of customers' funds or securities, which are maintained at our clearing firm, Goldman Sachs. In the event of an internal or external SBD, if telephone service is available, our registered persons will take customer orders or instructions and contact our clearing firm on their behalf, and if our Web access is available, our firm will strive to post on our Web site that customers may access their funds and securities by contacting Goldman Sachs. The firm will make this information available to customers through its disclosure policy.

If SIPC determines that we are unable to meet our obligations to our customers or if our liabilities exceed our assets in violation of Securities Exchange Act Rule 15c3-1, SIPC may seek to appoint a trustee to disburse our assets to customers. We will assist SIPC and the trustee by providing our books and records identifying customer accounts subject to SIPC regulation.

VI. Data Back-Up and Recovery (Hard Copy and Electronic)

Our firm maintains its primary hard copy books and records and its electronic records at our Jersey City, New Jersey office. Randy Hechler and Daisy Minot are responsible for the maintenance of these books and records. Our firm maintains some documents and forms that are not transmitted to our clearing firm

Our firm maintains its back-up hard copy books and records at various locations. Corporate books and records are maintained by outside counsel. Other records are maintained in a storage room in the Jersey City Main Office. Jared Scheer, Daisy Minott and Randy Hechler are responsible for the maintenance of these back-up books and records. Our firm backs up its paper records by copying and taking them to our back-up site. We back up our records periodically.

The firm relies on Goldman Sachs, Broadcort and SunGard to provide back up services for our electronic records on a daily, weekly and monthly basis. The information is available going back ninety days.

In the event of an internal or external SBD that causes the loss of our paper records, we will physically recover them from Goldman Sachs', Broadcort's and SunGard's back-up sites. If our primary site is inoperable, we will continue operations from our back-up site or an alternate location. For the loss of electronic records, we will either physically recover the storage media or electronically recover data from our back-up site, or, if our primary site is inoperable, continue operations from our back-up site or an alternate location.

VII. Financial and Operational Assessments

A. Operational Risk

In the event of an SBD, we will immediately identify what means will permit us to communicate with our customers, employees, critical business constituents, critical banks, critical counter-parties, and regulators. Although the effects of an SBD will determine the means of alternative communication, the communications options we will employ will include our Web site, cellular telephone, voice mail, if available and any other means available. In addition, we will retrieve our key activity records as described in the section above, Data Back-Up and Recovery (Hard Copy and Electronic).

B. Financial and Credit Risk

In the event of an SBD, we will determine the value and liquidity of our investments and other assets to evaluate our ability to continue to fund our operations and remain in capital compliance. We will contact our clearing firm, critical banks, and investors to apprise them of our financial status. If we determine that we may be unable to meet our obligations to those counter-parties or otherwise continue to fund our operations, we will request additional financing from our bank or other credit sources to fulfill our obligations to our customers and clients. If we cannot remedy a capital deficiency, we will file appropriate notices with our regulators and immediately take all necessary and appropriate steps.

VIII. Mission Critical Systems

Our firm's "mission critical systems" are those that ensure prompt and accurate processing of securities transactions, including order taking, entry, execution, comparison, allocation, clearance and settlement of securities transactions, the maintenance of customer accounts, access to customer accounts, and the delivery of funds and securities. More specifically, these systems include: BRASS, Goldman Sachs, Broadcort and NASDAQ.

We have primary responsibility for establishing and maintaining our business relationships with our customers and have sole responsibility for our mission critical functions of order taking, entry and execution. Our clearing firm provides, through contract, the execution, comparison, allocation, clearance and settlement of securities transactions, the maintenance of customer accounts, access to customer accounts, and the delivery of funds and securities.

Our clearing firms contracts provides that our clearing firm will maintain a business continuity plan and the capacity to execute that plan. Our clearing firm represents that it will advise us of any material changes to its plan that might affect our ability to maintain our business and

presented us with an executive summary of its plan, which is attached. In the event our clearing firm executes its plan, it represents that it will notify us of such execution and will provide us equal access to services as its other customers. If we reasonably determine that our clearing firm has not or cannot put its plan in place quickly enough to meet our needs, or is otherwise unable to provide access to such services, our clearing firm represents that it will assist us in seeking services from an alternative source.

Our clearing firms represents that it backs up our records at a remote site. Our clearing firms represents that it operates a back-up operating facility in a geographically separate area with the capability to conduct the same volume of business as its primary site. Our clearing firm has also confirmed the effectiveness of its back-up arrangements to recover from a wide scale disruption by.

Recovery-time objectives provide concrete goals to plan for and test against. They are not, however, hard and fast deadlines that must be met in every emergency situation, and various external factors surrounding a disruption, such as time of day, scope of disruption, and status of critical infrastructure—particularly telecommunications—can affect actual recovery times. Recovery refers to the restoration of clearing and settlement activities after a wide-scale disruption; resumption refers to the capacity to accept and process new transactions and payments after a wide-scale disruption. Our clearing firm will provide us with SBD recovery time and resumption objectives upon request.

Our Firm's Mission Critical Systems

1. Order Taking

Currently, our firm receives orders from customers via telephone and electronic interface. During an SBD, either internal or external, we will continue to take orders through any of the methods that are available and reliable, and in addition, as communications permit, we will inform our customers when communications become available to tell them what alternatives they have to send their orders to us. Customers will be informed of alternatives by fax/e-mail/our Web site at www.hudsonsecurities.com. If necessary, we will advise our customers to place orders directly with our clearing firm.

2. Order Entry

Currently, our firm enters orders by recording them on paper and electronically and sending them to our clearing firm electronically or telephonically. *Alternatively,* We place customer

orders through the BRASS System. We have contacted BRASS and were told that, under its BCP, we can expect uninterrupted functionality in the event of a SBD.

In the event of an internal SBD, we will enter and send records to our clearing firm by the fastest alternative means available, which include phone, fax e-mail and runner. In the event of an external SBD, we will maintain the order in electronic or paper format, and deliver the order to the clearing firm by the fastest means available when it resumes operations. In addition, during an internal SBD, we may need to refer our customers to deal directly with our clearing firm for order entry.

3. Order Execution

We currently execute orders by BRASS, NASDAQ and telephone. In the event of an internal SBD, we would utilize telephone, fax, e-mail and any other means. In the event of an external SBD, we would use the same means as well as runners if necessary.

4. Other Services Currently Provided to Customers

In addition to those services listed above in this section we also provide customers with non-critical ancillary services. In the event of an internal or external SBD, we would suspend these non-essential services.

B. Mission Critical Systems Provided by Our Clearing Firm

Our firm relies, by contract, on our clearing firm to provide order comparison, order allocation, and the maintenance of customer accounts, delivery of funds and securities, and access to customer accounts.

II. Alternate Communications Between the Firm and Customers, Employees, and Regulators

A. Customers

We now communicate with our customers using the telephone, e-mail, our Web site, fax, U.S. mail, and in person visits at our firm or at the other's location. In the event of an SBD, we will

assess which means of communication are still available to us, and use the means closest in speed and form (written or oral) to the means that we have used in the past to communicate with the other party. For example, if we have communicated with a party by e-mail but the Internet is unavailable, we will call them on the telephone and follow up where a record is needed with paper copy in the U.S. mail.

Pandemic Preparedness

In the event of a pandemic event, such as absenteeism due to influenza, school closings, or transportation difficulties, the Firm may need to advise clients to route order flow elsewhere. Associates are advised to not come to or remain at the primary work site if they are sick or have been exposed to the influenza virus. Affected associates who are otherwise still able to perform their job function, may instead report to the disaster recovery site or they should remain at home to perform their job function by means of telecommuting and/or VPN access. Associates are also able to perform their job function by means of telecommuting and/or VPN access as a result of a school closing or other child/family care issues as well as transportation difficulties. On a monthly basis, or as practical, associates will work off-site to verify systems access and to test the effectiveness of such arrangements.

If an associate is unable to perform their function at all, they must inform their supervisor so appropriate business accommodations can be made.

C. Regulators

We are currently members of FINRA. We communicate with the FINRA using the telephone, e-mail, fax, U.S. mail, and in person. In the event of an SBD, we will assess which means of communication are still available to us, and use the means closest in speed and form (written or oral) to the means that we have used in the past to communicate with the other party.

Critical Business Constituents, Banks, and Counter-Parties

A. Business constituents

We have contacted our critical business constituents (businesses with which we have an ongoing commercial relationship in support of our operating activities, such as vendors providing us critical services), and determined the extent to which we can continue our business relationship with them in light of the internal or external SBD. We will quickly establish alternative arrangements if a business constituent can no longer provide the needed goods or services when we need them because of a SBD to them or our firm. Our major suppliers are: NASDAQ, BRASS, Verizon and Bloomberg.

B. Banks

We have contacted our banks and lenders to determine if they can continue to provide the financing that we will need in light of the internal or external SBD. The bank maintaining our operating account is: Bank of America, 201-234- 8332, 125 Pavonia Avenue, Jersey City, NJ 07310 Gilson Dasilva is our contact. The bank maintains all our accounts including our Proprietary Account of Introducing Brokers/Dealers (PAIB account). If our banks and other lenders are unable to provide the financing, we will seek alternative financing immediately from any available source.

C. Counter-Parties

We have contacted our critical counter-parties, such as other broker-dealers or institutional customers, to determine if we will be able to carry out our transactions with them in light of the internal or external SBD. Where the transactions cannot be completed, we will work with our clearing firm or contact those counter-parties directly to make alternative arrangements to complete those transactions as soon as possible.

II. Regulatory Reporting

Our firm is subject to regulation by the SEC and various state securities regulators. We now file reports with our regulators using paper copies in the U.S. mail, and electronically using fax, e-mail, and the Internet. In the event of an SBD, we will check with the SEC, FINRA, and other regulators to determine which means of filing are still available to us, and use the means closest in speed and form (written or oral) to our previous filing method. In the event that we cannot contact our regulators, we will continue to file required reports using the communication means available to us. Our primary regulator is FINRA, 9509 Key West Avenue, Rockville, MD 20850

Pandemic Preparedness

In the event of a pandemic event, such as absenteeism due to influenza, school closings, or transportation difficulties, the Firm may need to advise clients to route order flow elsewhere. Associates are advised to not come to or remain at the primary work site if they are sick or have been exposed to the influenza virus. Affected associates who are otherwise still able to perform their job function, may instead report to the disaster recovery site or they should remain at home to perform their job function by means of telecommuting and/or VPN access. Associates are also able to perform their job function by means of telecommuting and/or VPN access as a result

of a school closing or other child/family care issues as well as transportation difficulties. On a monthly basis, or as practical, associates will work off-site to verify systems access and to test the effectiveness of such arrangements.

If an associate is unable to perform their function at all, they must inform their supervisor so appropriate business accommodations can be made.

III. Disclosure of Business Continuity Plan

We disclose in writing a summary of our BCP to customers at account opening. We also post the summary on our Web site and mail it to customers upon request. Our summary addresses the possibility of a future SBD and how we plan to respond to events of varying scope. In addressing the events of varying scope, our summary (1) provides specific scenarios of varying severity (e.g., a firm-only business disruption, a disruption to a single building, a disruption to a business district, a city-wide business disruption, and a regional disruption); (2) states whether we plan to continue business during that scenario and, if so, our planned recovery time; and (3) provides general information on our intended response. Our summary discloses the existence of back-up facilities and arrangements.

Business continuity for disaster recovery is a high priority for Hudson Securities, Inc. Our goal is to ensure our continued ability to serve our clients and protect their assets and the people and assets of our firm. Our Business Continuity Plan has been developed to provide reasonable assurance of business continuity in the event there are disruptions of normal operations at the firm's critical facilities.

The firm has established a structured approach designed to ensure that the firm is prepared should a business disruption occur. This approach addresses business disruptions of varying scope and severity, which may include disruptions affecting individual branch locations, city-wide or industry-wide failures; and regional, national or global events that affect our business.

No contingency plan can be failsafe or provide absolute assurance that an interruption in business will not occur or that negative consequences will not ensue from a crisis or event. Because natural and other disruptions – even if anticipated generally – are unpredictable and can change over time, a disruption may not have been fully anticipated when the plan was originally designed or later modified. That said, Hudson Securities is committed to ensuring that its program is comprehensive and up to date particularly as new information, techniques and technologies become available. We may alter, add to or eliminate specific aspects of the program as we judge appropriate for the protection of all concerned. We will keep both our clients and our own community informed of pertinent changes.

In the event of a significant business disruption our firm intends to continue in business. The firm will make every effort to recover from business disruptions of varying intensities (such as a disruption to the building, the business district, the city, or the whole region) and resume business as soon as reasonably possible.

We have made arrangements for back-up facilities through our various vendors and service providers.

In the event of a significant business disruption, customers may find out information by logging onto our web site: www.hudsonsecurities.com.

IV. Updates and Annual Review

Our firm will update this plan whenever we have a material change to our operations, structure, business or location or to those of our clearing firm. In addition, our firm will review this BCP annually, to modify it for any changes in our operations, structure, business, or location or those of our clearing firm.
