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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 10-Q**

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(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended June 30, 2009

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-15936

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**HUDSON HOLDING CORPORATION**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**20-3766053**  
(I.R.S. Employer  
Identification No.)

**111 Town Square Place  
Suite 1500A  
Jersey City, New Jersey**  
(Address of Principal Executive Offices)

**07310**  
(Zip Code)

**Registrant's telephone number, including area code: (201) 216-0100**

(Former name and former address, if changed since last report)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act): Yes  No

As of August 13, 2009, there were 47,794,537 shares of the issuer's common stock outstanding.

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**HUDSON HOLDING CORPORATION**

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

	<u>June 30, 2009</u> (unaudited)	<u>March 31, 2009</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 453,483	\$ 6,694,914
Cash—restricted	381,728	252,408
Receivable from clearing brokers	7,106,103	1,294,689
Securities owned, at fair value	2,967,952	2,246,488
Income taxes receivable	75,040	75,040
Furniture, equipment, capitalized software and leasehold improvements, net	1,219,732	1,182,028
Deferred tax assets	1,515,000	1,515,000
Prepaid expenses and other assets	1,180,639	866,027
Prepaid compensation, net	1,400,167	1,869,167
Goodwill	1,111,179	1,111,179
	<u>\$17,411,023</u>	<u>\$17,106,940</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities:		
Securities sold, but not yet purchased, at fair value	\$ 574,501	\$ 637,829
Commissions payable	1,902,080	1,259,987
Income taxes payable	103,787	60,827
Payable to clearing brokers	—	48,833
Accounts payable, accrued expenses and other liabilities	2,098,531	1,461,774
Total liabilities	<u>4,678,899</u>	<u>3,469,250</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.001 par value; 1,000,000 shares authorized, none issued	—	—
Common stock, \$.001 par value; 200,000,000 shares authorized; 47,794,537 shares issued and outstanding at June 30, and March 31, 2009	47,795	47,795
Additional paid-in capital	17,988,113	17,794,521
Accumulated deficit	<u>(5,303,784)</u>	<u>(4,204,626)</u>
Total stockholders' equity	<u>12,732,124</u>	<u>13,637,690</u>
	<u>\$17,411,023</u>	<u>\$17,106,940</u>

*See notes to these condensed consolidated financial statements.*

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**HUDSON HOLDING CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(unaudited)**

	<b>Three Months Ended</b>	
	<b>June 30,</b>	
	<b>2009</b>	<b>2008</b>
<b>Revenues:</b>		
Sales and trading	\$ 5,909,380	\$ 3,517,887
Commissions and fees	5,594,288	4,245,453
Net interest and other income	<u>173,434</u>	<u>300,353</u>
	<u>11,677,102</u>	<u>8,063,693</u>
<b>Expenses:</b>		
Salaries and related costs	2,208,558	2,161,560
Commissions, execution and clearing charges	7,251,378	4,461,577
Communications	1,728,577	1,371,365
Occupancy	422,342	277,257
Professional fees	479,770	573,514
Business development	160,811	204,147
Other	<u>477,364</u>	<u>340,140</u>
	<u>12,728,800</u>	<u>9,389,560</u>
<b>Loss before income tax provision (benefit)</b>	(1,051,698)	(1,325,867)
Income tax provision (benefit)	<u>47,460</u>	<u>(483,213)</u>
<b>Net loss</b>	<u>\$ (1,099,158)</u>	<u>\$ (842,654)</u>
Loss per share—basic and diluted	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>
Weighted average number of shares outstanding—basic and diluted	<u>47,794,537</u>	<u>37,942,768</u>

*See notes to these condensed consolidated financial statements.*

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**HUDSON HOLDING CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
Balance—March 31, 2009	<b>47,794,537</b>	<b>\$47,795</b>	<b>\$17,794,521</b>	<b>\$(4,204,626)</b>	<b>\$13,637,690</b>
Option grants—employees	—	—	47,537	—	47,537
Option grants—consultants	—	—	(3,708)	—	(3,708)
Restricted stock grants—employees	—	—	149,763	—	149,763
Net loss	—	—	—	(1,099,158)	(1,099,158)
Balance—June 30, 2009 (unaudited)	<b><u>47,794,537</u></b>	<b><u>\$47,795</u></b>	<b><u>\$17,988,113</u></b>	<b><u>\$(5,303,784)</u></b>	<b><u>\$12,732,124</u></b>

*See notes to these condensed consolidated financial statements.*

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**HUDSON HOLDING CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(unaudited)**

	<b>Three Months Ended</b>	
	<b>June 30,</b>	
	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$(1,099,158)	\$ (842,654)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	157,101	108,117
Stock-based compensation	193,593	427,329
Prepaid compensation amortization	469,000	583,375
Deferred rent	19,780	7,029
Deferred taxes	—	(519,000)
Changes in:		
Receivable from clearing brokers	(5,811,414)	(3,125,009)
Securities owned	(721,464)	(1,458,946)
Prepaid compensation	—	(700,000)
Prepaid expenses and other assets	(314,612)	(114,789)
Securities sold, but not yet purchased	(63,329)	513,201
Payable to clearing brokers	(48,833)	—
Commissions payable	642,093	(24,325)
Income taxes payable	42,960	28,686
Accounts payable, accrued expenses and other liabilities	616,977	279,305
Net cash used in operating activities	<u>(5,917,306)</u>	<u>(4,837,681)</u>
<b>Cash flows from investing activities:</b>		
Purchase of furniture and equipment, capitalized software and leasehold improvements	(194,805)	(205,344)
Cash subject to restrictions	(129,320)	(1,984)
Net cash used in investing activities	<u>(324,125)</u>	<u>(207,328)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock and warrants, net of issuance costs	—	3,959,370
Net cash provided by financing activities	<u>—</u>	<u>3,959,370</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(6,241,431)</b>	<b>(1,085,639)</b>
Cash and cash equivalents—beginning of period	<u>6,694,914</u>	<u>6,172,348</u>
<b>Cash and cash equivalents—end of period</b>	<b><u>\$ 453,483</u></b>	<b><u>\$ 5,086,709</u></b>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the year for:		
Income taxes	<u>\$ 4,500</u>	<u>\$ —</u>

*See notes to these condensed consolidated financial statements.*

**HUDSON HOLDING CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

**NOTE A—ORGANIZATION, OPERATIONS AND BASIS OF PRESENTATION**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the condensed consolidated financial position of Hudson Holding Corporation (“Holding”) as of June 30 and March 31, 2009 and the condensed consolidated results of its operations and cash flows for the three months ended June 30, 2009 and 2008. The results of operations for the three months ended June 30, 2009 are not necessarily indicative of the operating results for the full year. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and related disclosures for the year ended March 31, 2009 included in Holding’s Annual Report on Form 10-K.

The condensed consolidated financial statements include the accounts of Holding and its wholly-owned subsidiaries, Hudson Securities, Inc. (“Hudson”) and Hudson Technologies, Inc. (“Technologies”) (collectively the “Company”). Holding was formed in 1987, is currently incorporated in the State of Delaware, and is a holding company. Hudson was formed in 1984, is a registered broker-dealer under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority (“FINRA”). The Company’s operations include institutional sales and market making of equity securities, plus investment banking. Hudson is an introducing broker and clears all transactions through clearing organizations on a fully disclosed basis. Accordingly, Hudson is exempt from rule 15c3-3 of the Securities Exchange Act of 1934.

Management has evaluated all subsequent events after the balance sheet date and through the financial statement issuance date of August 14, 2009 for appropriate accounting and disclosure.

**NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**[1] Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting period. Actual results could differ from those estimates. The Company’s significant estimates include the deferred tax asset valuation allowance, the prepaid compensation reserve allowance, the Black-Scholes option pricing assumptions, the evaluation of goodwill for impairment, and the useful lives of long lived assets.

**[2] Securities transactions and revenue recognition:**

Hudson records transactions in securities and the related revenue and expenses on a trade-date basis. Sales and trading revenues are primarily derived from facilitating customer transactions. Commissions and fees include agency commissions and fees earned from customers on riskless principal trades. Riskless principal trades are transacted through the firm’s proprietary account with a customer order in hand, resulting in no market risk to the firm. Securities owned and securities sold, but not yet purchased, are stated at fair value with the resulting unrealized gains and losses reflected in sales and trading revenues. Securities which do not have a readily ascertainable market value are valued at their estimated fair value as determined by management. Because of the inherent uncertainty of valuation estimates, the management determined values may differ from values that would have been used had a ready market for these securities existed.

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### NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

#### [3] Stock-based compensation:

Commencing with the first issuance of stock options on May 26, 2006, the Company accounts for stock options issued under the recognition and measurement principles of Statement of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payment”, (“SFAS 123 (R)”). Under the provisions of SFAS 123(R), the Company is required to measure the cost of services received in exchange for an award of equity instruments based on the fair value of the award. For employees and directors, the award is measured on the grant date and for non-employees, the award is generally remeasured on interim financial reporting dates until the service period is complete, in accordance with EITF Issue No. 96-18, “Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services”. The fair value amount is then recognized over the period during which services are required to be provided in exchange for the award, usually the vesting period.

#### [4] Concentrations of credit risk:

Hudson is engaged in trading on a principal and/or agency basis with and for primarily other securities broker-dealers and institutional investors such as mutual funds, hedge funds, banks and similar businesses. Counterparties to Hudson’s business activities include broker-dealers and clearing organizations, and can include banks and other financial institutions. Hudson uses two clearing brokers to process transactions and maintain customer accounts. The clearing brokers may extend credit to Hudson’s clientele which would be secured by cash and securities in the clients’ accounts. Hudson’s exposure to credit risk associated with the nonperformance by its customers and counterparties in fulfilling their contractual obligations can be directly impacted by volatile or illiquid trading markets, which may impair the ability of customers and counterparties to satisfy their obligations to Hudson. Additionally, Hudson has agreed to indemnify the clearing brokers for losses they may incur while extending credit to Hudson’s clients. Amounts due from customers that are considered uncollectible are charged back to Hudson by the clearing broker when such amounts become determinable.

In the normal course of business, Hudson enters into transactions in various financial instruments for trading purposes. These financial instruments include securities sold short, but not yet purchased, and option and warrant contracts.

Securities sold short, but not yet purchased, represent obligations of Hudson to deliver the underlying securities sold; and option and warrant contracts written represent obligations of Hudson to purchase or deliver the specified security at the contracted price. Hudson’s ultimate obligation on such instruments may exceed the amount recognized in the condensed consolidated statement of financial condition. Hudson monitors its positions continuously to reduce the risk of the potential loss due to changes in market value or failure of counterparties to perform.

Substantially all of Hudson’s cash and security positions may be deposited with its clearing broker for safekeeping purposes. The clearing brokers are members of major security exchanges.

The Company also maintains cash in bank accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and it is not exposed to any significant credit risk on cash.

#### [5] Loss per share:

Basic loss per share (“EPS”) has been calculated by dividing net loss by the weighted average shares of common stock outstanding during the year. Diluted EPS reflects the change in EPS, using the treasury stock method to reflect the impact of common share equivalents as if dilutive securities, such as unvested restricted stock, stock options or warrants were exercised or converted into common stock.

At June 30, 2009 and June 30, 2008, 5,461,253 and 8,361,666 shares of unvested restricted stock, outstanding stock options to purchase 6,309,999 and 4,800,000 shares of common stock and warrants to purchase 11,122,774 and 11,122,774 shares of common stock, respectively, were excluded from the calculation of diluted earnings per share because their impact would have been anti-dilutive.

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### NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

#### [6] Recently issued and adopted accounting standards:

In June 2008, the FASB ratified the consensus reached by the EITF pertaining to EITF 07-5, “Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity’s Own Stock” (“EITF 07-5”). The issue helps evaluate whether an instrument, or embedded feature, is indexed to its own stock and whether or not such instruments would be accounted for as equity or a derivative liability. The adoption of EITF 07-5’s requirements can affect the accounting for warrants and many convertible instruments with provisions that protect holders from a decline in the stock price (or “down-round” provisions). For example, warrants with such provisions will no longer be recorded in equity. Down-round provisions reduce the exercise price of a warrant or convertible instrument if a company either issues equity shares for a price that is lower than the exercise price of those instruments or issues new warrants or convertible instruments that have a lower exercise price. EITF 07-5 is effective for financial instruments issued for fiscal years and interim periods beginning after December 15, 2008 and is applicable to outstanding instruments as of the beginning of the fiscal year it is initially applied. The cumulative effect, if any, of the change in accounting principle shall be recognized as an adjustment to the opening balance of retained earnings. Adoption of EITF 07-5 did not have a material impact on the Company’s condensed consolidated financial statements.

In May 2009, the FASB issued SFAS No. 165, “Subsequent Events” (“SFAS 165”), which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Company is required to adopt SFAS 165 prospectively to both interim and annual financial periods ending after June 15, 2009. Adoption of SFAS 165 did not have a material impact on the Company’s condensed consolidated financial statements.

In June 2009, the FASB issued SFAS No. 166, (“SFAS 166”), “Accounting for Transfers of Financial Assets -- an amendment of FASB Statement No. 140”. SFAS 166 requires additional disclosures concerning a transferor’s continuing involvement with transferred financial assets. SFAS 166 eliminates the concept of a “qualifying special-purpose entity” and changes the requirements for derecognizing financial assets. SFAS 166 is effective for fiscal years beginning after November 15, 2009. The Company is currently evaluating the impact that the adoption of SFAS No. 166 will have on its consolidated financial statements.

In June 2009, the FASB issued SFAS No. 167, “Amendments to FASB Interpretation (“FIN”) No. 46(R),” which changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the other entity’s purpose and design and the reporting entity’s ability to direct the activities of the other entity that most significantly impact the other entity’s economic performance. SFAS No. 167 will require a reporting entity to provide additional disclosures about its involvement with variable interest entities and any significant changes in risk exposure due to that involvement. A reporting entity will be required to disclose how its involvement with a variable interest entity affects the reporting entity’s financial statements. SFAS No. 167 is effective for fiscal years beginning after November 15, 2009, and interim periods within those fiscal years. Management is currently evaluating the requirements of SFAS No. 167 and has not yet determined the impact on the Company’s consolidated financial statements.

In June 2009, the FASB issued SFAS No. 168, “The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles” (“SFAS 168”). SFAS 168 establishes the FASB Accounting Standards Codification, (“Codification”) as the single source of authoritative GAAP to be applied by nongovernmental entities, except for the rules and interpretive releases of the SEC under authority of federal securities laws, which are sources of authoritative GAAP for SEC registrants. All guidance contained in the Codification carries an equal level of authority. SFAS 168 is effective for interim and annual periods ending after September 15, 2009. Adoption of SFAS 168 is not expected to have a material impact on the Company’s condensed consolidated financial statements.

### NOTE C—SECURITIES OWNED AND SECURITIES SOLD, BUT NOT YET PURCHASED

Securities owned and securities sold, but not yet purchased, at June 30, 2009 consisted of:

	<u>At June 30, 2009</u> <u>(unaudited)</u>
<b>Securities Owned:</b>	
Equity securities—marketable at fair value	\$ 2,908,493
Equity securities—not readily marketable, at estimated fair value	<u>59,459</u>
Equity securities—total	<u>\$ 2,967,952</u>
<b>Securities Sold, but not yet Purchased:</b>	
Equity securities—marketable at fair value	\$ 574,501
Equity securities—not readily marketable, at estimated fair value	<u>—</u>
Equity securities—total	<u>\$ 574,501</u>

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### NOTE C—SECURITIES OWNED AND SECURITIES SOLD, BUT NOT YET PURCHASED, continued

#### Fair Value Measurements

SFAS 157 defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. As defined in SFAS 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or developed by the Company. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1 — Valued based on quoted prices at the measurement date for identical assets or liabilities trading in active markets. Financial instruments in this category generally include actively traded equity securities.

Level 2 — Valued based on (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active; (c) inputs other than quoted prices that are observable for the asset or liability; or (d) from market corroborated inputs. Financial instruments in this category include certain corporate equities that are not actively traded or are otherwise restricted.

Level 3 — Valued based on valuation techniques in which one or more significant inputs is not readily observable. Included in this category are certain corporate debt instruments, certain private equity investments, and certain commitments and guarantees.

As of June 30, 2009:

<u>Securities owned, at fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$2,908,493	\$59,459	\$ —	\$2,967,952
Total	\$2,908,493	\$59,459	\$ —	\$2,967,952

  

<u>Securities sold, but not yet purchased, at fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 574,501	\$ —	\$ —	\$ 574,501
Total	\$ 574,501	\$ —	\$ —	\$ 574,501

In February 2008, FASB Staff Position FAS 157-2 (“FSP FAS 157-2”) was issued. FSP FAS 157-2 delayed the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years, for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The delay was intended to allow additional time to consider the effect of various implementation issues that have arisen from the application of SFAS 157. Adoption of FSP FAS 157-2 did not have a material impact on the Company’s condensed consolidated financial statements.

In October 2008, the FASB issued Staff Position No. FAS 157-3, “Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active” (“FSP FAS 157-3”). FSP FAS 157-3 applies to financial assets within the scope of accounting pronouncements that require or permit fair value measurements in accordance with Statement No. 157. FSP FAS 157-3 clarifies the application of Statement No. 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. FSP FAS 157-3 is effective upon issuance and is to be applied to prior periods for which financial statements have not been issued. The Company adopted FSP FAS 157-3 effective October 10, 2008. Adoption of FSP FAS 157-3 did not materially affect the Company’s condensed consolidated financial statements.

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### NOTE C—SECURITIES OWNED AND SECURITIES SOLD, BUT NOT YET PURCHASED, continued

#### Fair Value Measurements, continued

In April 2009, the FASB issued Staff Position No. FAS 157-4, “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly” (“FSP FAS 157-4”). FSP FAS 157-4 provides additional guidance for estimating fair value in accordance with Statement of Financial Accounting Standards No. 157, Fair Value Measurements, when there is no active market or where the price inputs being used represent distressed sales. FSP FAS 157-4 also includes guidance on identifying circumstances that indicate a transaction is not orderly. FSP FAS 157-4 is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15 2009. Adoption of FSP FAS 157-4 did not have a material effect on the Company’s condensed consolidated financial statements.

### NOTE D—STOCKHOLDERS’ EQUITY

#### [1] Stock option grants:

On April 3, 2009, the Company granted options to an employee to purchase an aggregate of 800,000 shares of common stock at an exercise price of \$0.50, pursuant to the Companies 2007 Long-Term Incentive Compensation Plan. Half of the options expire after approximately four and a half years and the other half expire after approximately five and a half years. The \$268,000 grant date fair value is being amortized over the respective vesting periods, which range from approximately four to five years.

On June 1, 2009, the Company granted options to new employees to purchase an aggregate of 1,100,000 shares of common stock at an exercise price of \$0.50, pursuant to the Companies 2007 Long-Term Incentive Compensation Plan. 600,000 options expire after approximately three and a half years and 500,000 options expire after approximately four and a half years. The \$290,000 grant date fair value is being amortized over the respective vesting periods, which range from approximately three to four years.

The Company recognized \$47,538 and \$51,220 of compensation expense during the three months ended June 30, 2009 and June 30, 2008, respectively, related to employee stock option grants, which is reflected as salaries and related costs in the condensed consolidated statements of operations. As of June 30, 2009, there was \$778,398 of unrecognized employee stock-based compensation expense related to stock option grants that will be amortized over a weighted average period of 3.2 years.

The Company has computed the fair value of options granted using the Black-Scholes option pricing model. Under SFAS 123(R) forfeitures are estimated at the time of valuation and reduce expense ratably over the vesting period. This estimate will be adjusted periodically based on the extent to which actual forfeitures differ, or are expected to differ, from the previous estimate, when it’s material. The expected term of options granted represents the estimated period of time that options granted are expected to be outstanding. The Company utilizes the “simplified” method to develop an estimate of the expected term of “plain vanilla” option grants, as permitted by SEC Staff Accounting Bulletin No. 110. The Company utilized an expected volatility figure based on a review of the historical volatilities, over a period of time, equivalent to the expected life of these options, of similarly positioned public companies within its industry, during the early stages of their life as a public company. The risk-free interest rate was determined from the implied yields from U.S. Treasury zero-coupon bonds with a remaining term consistent with the expected term of the options.

In applying the Black-Scholes option pricing model at grant date, the Company used the following weighted average assumptions:

	For the three months ended	
	June 30,	
	2009	2008
Risk free interest rate	1.77%	2.72%
Expected term (years)	3.65	3.25
Expected volatility	140%	65%
Expected dividends	—	—

The weighted average estimated fair value of the stock options granted during the three months ended June 30, 2009 and 2008 was \$0.29 and \$0.15 per share, respectively.

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### NOTE D—STOCKHOLDERS' EQUITY, continued

#### [2] Stock grants:

On April 3, 2009, the Company granted 500,000 shares of restricted stock to a certain employee, which was not issued pursuant to a stock plan, at a market value of \$0.40. Accordingly, the \$200,000 grant date fair value is being amortized over the four year vesting period.

The Company recognized \$149,764 and \$209,817 of compensation expense during the three months ended June 30, 2009 and 2008, respectively, related to employee stock grants, which is reflected as a component of salaries and related costs in the consolidated statements of operations. As of June 30, 2009, there was \$1,676,684 of unrecognized employee stock-based compensation expense related to stock grants that will be amortized over a weighted average period of 2.6 years.

The Company recognized \$0 and \$164,000 of compensation expense during the three months ended June 30, 2009 and 2008, respectively, related to director stock grants, which is reflected as professional fees expense in the condensed consolidated statements of operations. As of June 30, 2009, there was no unrecognized director stock-based compensation expense related to stock grants.

A summary of restricted stock activity for the three months ended June 30, 2009 is presented in the table below:

	Number of Shares	Weighted Average Grant Date Fair Value	Total Grant Date Fair Value
Non-vested, March 31, 2009	5,502,920	\$ 0.36	\$1,998,589
Granted	500,000	0.40	200,000
Vested	—	—	—
Forfeited	(541,667)	0.32	(171,250)
Non-vested, June 30, 2009	<u>5,461,253</u>	\$ 0.37	<u>\$2,027,339</u>

### NOTE E—COMMITMENTS AND CONTINGENCIES

#### [1] Leases:

On April 29, 2009, Hudson entered into an agreement to lease 5,106 rentable square feet of office space in New York, New York. The lease commenced on May 28, 2009 and expires three years and two months from the commencement date. In accordance with the lease terms, the Company will pay rent at the rate of approximately \$255,000 per annum, beginning two months from the commencement date.

In connection with the New York City office lease, on April 29, 2009 Hudson deposited a one-year \$127,650 irrevocable standby letter of credit with the landlord as security, which automatically renews for additional one-year terms, unless thirty days written notice is provided. Pursuant to the lease agreement, Hudson is required to maintain the letter of credit until thirty days following the expiration of the lease. On April 16, 2009, Hudson deposited \$127,650 with the issuing financial institution in the form of an automatically renewable, twelve-month time deposit, in order to collateralize the letter of credit. The time deposit, plus accrued interest, is included in cash-restricted on the accompanying condensed consolidated statements of financial condition as of June 30, 2009.

Rent expense, net of sublease income, was approximately \$422,000 and \$277,000 for the three months ended June 30, 2009 and 2008, respectively.

#### [2] Employment agreements:

On June 1, 2009, the Company made a \$600,000 minimum annual compensation guarantee to a commissioned sales trader. If the sales trader achieves a specified revenue target during the year, the agreement shall renew automatically for a second year upon the same terms.

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### NOTE E—COMMITMENTS AND CONTINGENCIES, continued

#### [3] Contingencies:

At June 30, 2009 and March 31, 2009, Hudson had \$2,894,000 (4 employees) of outstanding loans (\$1,400,166 net of accumulated amortization of \$1,493,834 at June 30, 2009 and \$1,869,167 net of accumulated amortization of \$1,024,833 at March 31, 2009), which were provided as an incentive for joining the Company. The employees signed employment agreements and promissory notes with Hudson bearing interest at rates ranging from 4% to 5%. The employment agreements specify that Hudson will forgive the loans and interest, or a portion thereof, if the employees remain employed with Hudson for a certain duration. The loans are being amortized on a straight-line basis over the period specified in the employment agreements. Amortization expense charged to salaries and related costs in the condensed consolidated statement of operations was \$492,373 and \$622,927 for the three months ended June 30, 2009, and June 30, 2008, respectively.

From time to time, Hudson is named as a defendant in various routine actions that are incidental to its activities as a broker-dealer, including civil actions, arbitrations, plus proceedings and investigation by self-regulatory organizations. Management believes it has meritorious defenses to all such actions brought against the Company and intends to defend each of these actions vigorously. Although there can be no assurances that such matters will not have a material adverse effect on the results of operations or financial condition of the Company in any future period, depending in part on the results for such period, in the opinion of the Company's management, the ultimate resolution of such actions against the Company will have no material adverse effect on the Company's financial condition.

### NOTE F—NET CAPITAL REQUIREMENT

The Company is subject to various regulatory requirements, including the Securities and Exchange Commission's Uniform Net Capital Rule (SEC rule 15c3-1), which is intended to ensure the general financial soundness and liquidity of broker-dealers by requiring the maintenance of minimum levels of net capital. These regulations place limitations on certain transactions, such as repaying subordinated borrowings, paying cash dividends, and making loans to its parent, affiliates or employees. Broker-dealers are prohibited from such transactions which would result in a reduction of its total net capital to less than 120% of its required minimum net capital. Moreover, broker-dealers are required to notify the Securities and Exchange Commission before entering into such transactions which, if executed, would result in a reduction of 30% or more of its excess net capital (net capital less the minimum requirement). The Securities and Exchange Commission has the ability to prohibit or restrict such transactions if the result is detrimental to the financial integrity of the broker-dealer.

At June 30, 2009, the Company under the alternative standard method had net capital of approximately \$5,631,000, which was approximately \$4,631,000 in excess of its required net capital of \$1,000,000.

### NOTE G—REVENUE CONCENTRATIONS

The Company considers significant revenue concentrations to be customers or employees who account for 10% or more of the total revenues generated by the Company during the period. The Company had one such active employee who accounted for 30% of total revenues, which included revenues from a single customer that accounted for 16% of total revenues, during the three months ended June 30, 2009. During the three months ended June 30, 2008, the Company had one such active employee who accounted for 12% of total revenues.

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### ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of Hudson Holding Corporation and Subsidiaries' (the "Company") condensed consolidated financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and notes thereto appearing elsewhere herein.

This report contains various forward-looking statements made pursuant to the safe harbor provisions under the Private Securities Litigation Reform Act of 1995 (the "Reform Act") and information that is based on management's beliefs as well as assumptions made by and information currently available to management. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, the Company can give no assurance that such expectations will prove to be correct. When used in this report, the words "anticipate", "believe", "estimate", "expect", "predict", "project", and similar expressions are intended to identify forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements which speak only as of the date hereof, and should be aware that the Company's actual results could differ materially from those contained in the forward-looking statements due to a number of factors, including business conditions, growth in the overall market for the Company's services, general economic conditions, lower than expected customer transactions, competitive factors including increased competition, changes in the mix of business, and resource constraints and other statements under "Risk Factors" set forth in our Form 10-K for the year ended March 31, 2009 and other filings with the Securities and Exchange Commission (the "SEC"). Any forward-looking statements regarding industry trends, product development and liquidity and future business activities should be considered in light of these factors. The Company undertakes no obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

#### Business Environment

We, like other securities firms, are directly affected by economic and political conditions, broad trends in business and finance, changes in volume and price levels of securities transactions, and changes in interest rates, all of which can affect our profitability. Severe market fluctuation or weak economic conditions could ultimately reduce our trading volume and net revenues and adversely affect our profitability. In periods of reduced market activity, our profitability may also be affected because certain expenses, such as salaries, certain communications costs, and occupancy remain relatively fixed.

#### Results of Operations

##### Three months ended June 30, 2009 compared to three months ended June 30, 2008

We had overall revenues consisting of sales and trading revenues, commission and fee revenues, both primarily from activity on behalf of customers, plus net interest and other income of approximately \$11,677,102 for the three months ended June 30, 2009 as compared to \$8,063,693 for the three months ended June 30, 2008, an increase of \$3,613,409 or 45%. Sales and trading revenues were \$5,909,380 compared to \$3,517,887 during the same period in the prior year, an increase of \$2,391,493 or 68%, due to the addition of sales traders and a significant customer which comprised 16% of total revenues during the three months ended June 30, 2009. Commission and fee revenues were \$5,594,288 compared to \$4,245,453 during the same period last year, an increase of \$1,338,835 or 32%, principally due to increased volume. Interest and other income were \$173,434 compared to \$300,353 during the comparable period last year, a decrease of \$126,919, or 42%, primarily due to a decrease in fees from introducing brokers.

Our cost structure consists of both variable costs, such as commissions, execution and clearing charges, and fixed costs, such as salaries and related costs (including payroll taxes and benefits), communications (quote, trading, order management and telecommunication services), occupancy (rent, electricity, maintenance and real estate taxes) professional fees (attorneys and auditors), business development (travel, entertainment and advertising) and other operating costs. From a compensation perspective, approximately 45% of our employees are salaried, while most of our traders and salespersons receive revenue-based commission payments.

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The commission payouts were \$5,595,015 (48% of revenues) in the three months ended June 30, 2009 compared to \$3,951,710 (49% of revenues) in the comparable prior year period, and increase of \$1,643,305 or 42%, primarily due to the increase in revenues. Execution and clearance charges were \$1,656,363 (14% of revenues) in the three months ended June 30, 2009 as compared to \$509,867 (6% of revenues) in the three months ended June 30, 2008, an increase of \$1,146,496 or 225%, primarily due to an increase in algorithmic trading business which has higher execution fees, plus an increase in clearing costs. Communication costs were \$1,728,577 in the quarter ending June 30, 2009 compared to \$1,371,365 in the same quarter last year, an increase of \$357,212 or 26%, primarily due to additional equipment and services required for new hires. Occupancy costs were \$422,342 in the quarter ending June 30, 2009 compared to \$277,257 in the same quarter last year, an increase of \$145,085 or 52%, primarily due to the additions of new office locations.

Salaries and related costs were \$2,208,558 compared to \$2,161,560 in the comparable quarter in the prior year, an increase of \$46,998 or 2%, primarily due to an increase in salaries, as a result of new hires, offset by a decrease in prepaid compensation. Professional fees were \$479,770 compared to \$573,514 in the comparable quarter in the prior year, a decrease of \$93,744 or 16%, primarily due to a decrease in outside legal and accounting services as a result of hiring a general counsel and chief financial officer for Hudson Securities, Inc. Business development expenses were \$160,811 in the quarter ending June 30, 2009 compared to \$204,147 in the prior period quarter, a decrease of \$43,336 or 21%, primarily due to pulling back our marketing efforts. Other expenses were \$477,364 in the quarter ending June 30, 2009 compared to \$340,140 in the prior period quarter, an increase of \$137,224 or 40%, primarily due to increased software amortization and maintenance expense.

The pre-tax loss was \$1,051,698 for the three months ended June 30, 2009, compared to a pre-tax loss of \$1,325,867 for the three months ended June 30, 2008, a decrease of \$274,169 or 21%. The pre-tax loss decrease was primarily due to the increase in revenues, partially offset by increased salaries, as a result of increased staff, and an increase in occupancy. The income tax expense was \$47,460 for the three months ended June 30, 2009, compared to the income tax benefit of \$483,213 for the three months ended June 30, 2008, primarily due to an increase in the deferred tax asset valuation allowance and the smaller pre-tax loss.

## Liquidity and Capital Resources

<u>Consolidated Balance Sheet Data:</u>	<u>As of</u> <u>30-Jun-09</u> <u>(unaudited)</u>	<u>As of</u> <u>March 31, 2009</u>
Working capital	\$ 7,116,802	\$ 7,914,837
Total assets	\$17,411,023	\$17,106,940
Total liabilities	\$ 4,678,899	\$ 3,469,250
Stockholders' equity	\$12,732,124	\$13,637,690

### Working Capital

Our working capital (current assets less current liabilities) decreased to \$7.1 million at June 30, 2009 from \$7.9 million at March 31, 2009, primarily as a result of increased accrued commission payables. Current assets include cash, receivable from clearing broker (cash on deposit with our clearing broker), marketable securities, income taxes receivable and other assets (except for long-term security deposits). All liabilities, except approximately \$0.2 million of long-term deferred rent, are current liabilities.

We have not declared and paid, nor do we expect to declare and pay in the intermediate future, any dividends on our common stock

We currently do not have any outstanding bank borrowings or long-term debt.

Our requirement for funding is, and will be, driven by both working capital and regulatory net capital requirements associated with current operations, the enhancement of our technology, software development, and by potential future expansion into related activities (investment banking, fixed income, options, etc.) including possible synergistic acquisition opportunities. Such expansion could require the issuance of additional forgivable employee loans, restricted stock, stock options or other stock-based awards in order to recruit and retain experienced professionals (see Notes D and E to the condensed consolidated financial statements for additional details). See Note F to the condensed consolidated financial statements for additional details related to regulatory net capital requirements. We still expect that any further significant expansion or acquisition opportunities may require additional subordinated debt or equity issuances in order to maintain the required levels of working capital or net capital. There can be no assurance that we will be successful in attracting such funding.

Our contractual commitments consist primarily of office and equipment leases, plus commitments related to certain employment agreements.

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Our cash position decreased by \$6,241,431 to \$453,483 during the three months ended June 30, 2009. However, it should be noted that our cash position is primarily a function of the extent to which our funds are deployed in marketable securities or on deposit with our clearing broker. On June 30, 2009, we had \$2,393,451 in net securities positions and \$7,106,103 on deposit with our clearing brokers.

### *Operating Activities*

Net cash used in operating activities was \$5,917,306 during the three months ended June 30, 2009, primarily as a result of depositing an incremental \$5,811,414 of cash with our clearing broker, a \$784,793 increase in net securities positions and a \$314,612 increase in prepaid expenses and other assets, partially offset by a \$1,253,197 increase in payables.

### *Investing Activities*

Net cash used in investing activities was \$324,125 during the three months ended June 30, 2009, primarily due to the ongoing development of capitalized software.

### *Financing Activities*

There was no net cash provided by financing activities during the three months ended June 30, 2009.

## **Off Balance Sheet Arrangements**

On April 20, 2006, a financial institution issued a one-year, automatically renewable, irrevocable \$225,000 standby letter of credit, on our behalf, to the landlord associated with our new office lease as a security deposit. The Company is obligated to maintain the letter of credit until sixty days after the August 30, 2012 expiration of the lease. The Company deposited \$225,000 with the financial institution in the form of an automatically renewable fourteen month time deposit, in order to collateralize the letter of credit.

On April 29, 2009, a financial institution issued a one-year, automatically renewable, irrevocable \$127,650 standby letter of credit, on our behalf, to the landlord associated with our new office lease as a security deposit. The Company is obligated to maintain the letter of credit until thirty days after the July 28, 2012 expiration of the lease. The Company deposited \$127,650 with the financial institution in the form of an automatically renewable twelve month time deposit, in order to collateralize the letter of credit.

As of June 30, 2009, we had no other off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

## **Critical Accounting Policies**

There are no material changes from the critical accounting policies set forth in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of our Annual Report on Form 10-K for the year ended March 31, 2009. Please refer to that document for disclosures regarding the critical accounting policies related to our business.

## **ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable.

## **ITEM 4: CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), such as this quarterly report, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Internal controls are procedures which are designed with the objective of providing reasonable assurance that (1) our transactions are properly authorized, recorded and reported; and (2) our assets are safeguarded against unauthorized or improper use, to permit the preparation of our condensed consolidated financial statements in conformity with United States generally accepted accounting principles.

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As of the end of the period covered by this quarterly report, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)). Based upon that evaluation, our Chief Executive Officer (“CEO”) and Principal Accounting Officer concluded that, as of the end of the period covered by this quarterly report on Form 10-Q, our disclosure controls and procedures were effective.

### **Limitations of the Effectiveness of Internal Control**

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the internal control system are met. Because of the inherent limitations of any internal control system, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected

### **Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during the period covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II—OTHER INFORMATION**

**Item 1. Legal Proceedings.**

From time to time, Hudson is named as a defendant in various routine actions that are incidental to its activities as a broker-dealer, including civil actions, arbitrations, plus proceedings and investigation by self-regulatory organizations. On September 29, 2008, the Company filed a Statement of Claim with a self-regulatory organization against a former employee for (a) repayment of a \$1,019,000 loan, plus interest; (b) reimbursement of \$336,341 of commission overpayments; plus (c) reimbursement of legal fees and other costs associated with arbitration proceeding. On November 19, 2008, the former employee's attorneys responded to FINRA. Arbitration hearings have been scheduled for September 2009.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

On November 13, 2008, the Company's Board authorized the repurchase of up to 1,000,000 shares of the Company's common stock, at the discretion of the Company's management. On November 19, 2008, the Company's Board authorized the repurchase of up to \$1,000,000 of the Company's common stock, at the discretion of the Company's management, in lieu of the repurchase of up to 1,000,000 shares of the Company's common stock. During the quarter ended June 30, 2009, the Company did not repurchase any of its equity securities.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Submission of Matters to a Vote of Security Holders.**

None.

**Item 5. Other Information.**

None.

**Item 6. Exhibits**

- 31.1 Rule 13a-14(a) Certification by the Chief Executive Officer
- 31.2 Rule 13a-14(a) Certification by the Principal Accounting Officer
- 32.1 Certification by the Chief Executive Officer Relating to a Periodic Report Containing Financial Statements\*
- 32.2 Certification by the Principal Accounting Officer Relating to a Periodic Report Containing Financial Statements\*
- 99.1 Press Release Related to Hudson Holding Corporation's Earnings for the Three Months Ended June 30, 2009

\* The Exhibit attached to this Form 10-Q shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to liability under that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

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**SIGNATURES**

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: August 14, 2009

By: /s/ Martin C. Cunningham

Name: Martin C. Cunningham

Title: Chairman and Chief Executive Officer

Dated: August 14, 2009

By: /s/ Keith R. Knox

Name: Keith R. Knox

Title: President and Principal Accounting Officer

**Certification Pursuant to Rule 13a-14(a)**

I, Martin C. Cunningham, hereby certify that:

1. I have reviewed the Quarterly Report on Form 10-Q of Hudson Holding Corporation for the quarter ended June 30, 2009
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date August 14, 2009

/s/ Martin C. Cunningham

Martin C. Cunningham,  
Chairman and Chief Executive Officer

**Certification Pursuant to Rule 13a-14(a)**

I, Keith R. Knox, hereby certify that:

1. I have reviewed the Quarterly Report on Form 10-Q of Hudson Holding Corporation for the quarter ended June 30, 2009;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2009

/s/ Keith R. Knox

Keith R. Knox,

President and Principal Accounting Officer

**CERTIFICATION**

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  
(18 U.S.C. 1350)**

Pursuant to Section 906 of the Sarbanes-Oxley Act of (18 U.S.C. 1350), the undersigned officer of Hudson Holding Corporation., a Delaware corporation (the "Company"), does hereby certify that, to the best of his knowledge:

- (1) The Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Form 10-Q fairly presents, in all materials respects, the financial condition and results of operations of the Company.

Date: August 14, 2009

/s/ Martin C. Cunningham

Martin C. Cunningham,  
Chairman and Chief Executive Officer

**CERTIFICATION**

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  
(18 U.S.C. 1350)**

Pursuant to Section 906 of the Sarbanes-Oxley Act of (18 U.S.C. 1350), the undersigned officer of Hudson Holding Corporation, a Delaware corporation (the "Company"), does hereby certify that, to the best of his knowledge:

- (1) The Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Form 10-Q fairly presents, in all materials respects, the financial condition and results of operations of the Company.

Date: August 14, 2009

/s/ Keith R. Knox

Keith R. Knox,  
President and Principal Accounting Officer

## PRESS RELEASE

Contacts:

Martin C. Cunningham  
Chairman & CEO  
201-216-0100

Keith R. Knox  
President  
201-216-0100

FOR IMMEDIATE RELEASE

August 14, 2009

## HUDSON HOLDING CORPORATION'S REVENUES INCREASE 45% QUARTER OVER QUARTER

Jersey City, NJ, August 14, 2009: Hudson Holding Corporation (OTC Bulletin Board: HDHL.OB-News) announced that it filed its results for the fiscal quarter ended June 30, 2009 with the Securities and Exchange Commission today.

"We're pleased with the 45% increase in quarterly revenue growth that Hudson achieved," said Marty Cunningham, Hudson's Chairman and Chief Executive Officer. "We are completing the integration of our new businesses which has impacted our results, and continue to seek opportunities to add seasoned producers and/or complementary business lines. Our loss is largely attributable to costs driven by our expansion."

(unaudited)	Three Months Ended June 30,	
	2009	2008
Sales and trading	5,909,380	3,517,887
Commissions and fees	\$ 5,594,288	\$4,245,453
Interest and other income	173,434	300,353
Total revenues	\$11,677,102	\$8,063,693
Net loss	\$ (1,099,158)	\$ (842,654)
Basic and diluted EPS	\$ (0.02)	\$ (0.02)

Total revenues increased 45% for the three months ended June 30, 2009, to approximately \$11.7 million from \$8.1 million during the same period in the prior fiscal year. Sales and trading increased 68% for the three months ended June 30, 2009, to approximately \$5.9 million from \$3.5 million during the same period in the prior fiscal year, due to improving market conditions and new business lines. Commissions and fees revenues increased 32% for the three months ended June 30, 2009, to approximately \$5.6 million from \$4.2 million during the same period in the prior fiscal year, primarily due to an expansion of our institutional sales effort.

The pre-tax loss was \$1.0 million for the three months ended June 30, 2009, as compared to a \$1.3 million pre-tax loss during the same period in the prior year, was a result of the \$3.6 million increase in revenue offset by a \$3.3 million increase in expenses, primarily as a result of a \$2.8 million increase in variable costs (commissions, execution, and clearing costs) and a \$.3 million increase in Communications, due to an increase in the number of institutional sales traders. Recruitment and retention costs (including stock-based compensation) was approximately \$.7 million for the three months ended June 30, 2009, compared to \$.9 million for the same period in the prior fiscal year. Income taxes provision of \$.1 million for the three months ended June 30, 2009, as compared to a benefit of \$.5 million during the same period in the prior year, included a current period increase in the deferred tax valuation allowance. The net loss increased to approximately \$1.1 million for the three months ended June 30, 2009, from a \$.8 million net loss during the same period in the prior fiscal year.

(unaudited)	June 30,	March 31,
	2009	2009
<u>Hudson Holding Corporation</u>		
Stockholders' equity	\$12,732,124	\$13,637,690
Total assets	\$17,411,023	\$17,106,940
<u>Hudson Securities, Inc.</u>		
Net capital	\$ 5,631,424	\$ 6,109,287
Excess net capital	\$ 4,631,424	\$ 5,109,287

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Hudson Holding Corporation is a publicly traded company on the OTC Bulletin Board under the symbol “HDHL” and is the parent of Hudson Securities, Inc. and Hudson Technologies, Inc. Hudson Securities, Inc. is dedicated to meeting the liquidity needs of its clients—institutions, hedge funds, asset managers, and broker dealers—by providing execution solutions and making markets in over 15,000 U.S. and foreign securities and ADRs. As a registered broker-dealer under the Securities Exchange Act of 1934, Hudson Securities is a member of the Financial Industry Regulatory Authority (“FINRA”) and has been in business since 1984. Hudson Technologies provides technology services to Hudson Securities and client companies.

*Certain statements contained herein constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations, estimates and projections about the Company’s industry, management’s beliefs and certain assumptions made by management. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Because such statements involve risks and uncertainties, the actual results and performance of the Company may differ materially from the results expressed or implied by such forward-looking statements. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Unless otherwise required by law, the Company also disclaims any obligation to update its view of any such risks or uncertainties or to announce publicly the result of any revisions to the forward-looking statements made here; however, readers should review carefully reports or documents the Company files periodically with the Securities and Exchange Commission.*

**HUDSON HOLDING CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS**  
(unaudited)

	<b>Three Months Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>
<b>Revenues:</b>		
Sales and trading	\$ 5,909,380	\$ 3,517,887
Commissions and fees	5,594,288	4,245,453
Net interest and other income	173,434	300,353
	<u>11,677,102</u>	<u>8,063,693</u>
<b>Expenses:</b>		
Salaries and related costs	2,208,558	2,161,560
Commissions, execution and clearing charges	7,251,378	4,461,577
Communications	1,728,577	1,371,365
Occupancy	422,342	277,257
Professional fees	479,770	573,514
Business development	160,811	204,147
Other	477,364	340,140
	<u>12,728,800</u>	<u>9,389,560</u>
<b>Loss before income tax provision (benefit)</b>	(1,051,698)	(1,325,867)
Income tax provision (benefit)	47,460	(483,213)
<b>Net loss</b>	<u>\$ (1,099,158)</u>	<u>\$ (842,654)</u>
Loss per share - basic and diluted	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>
Weighted average number of shares outstanding - basic and diluted	<u>47,794,537</u>	<u>37,942,768</u>

**HUDSON HOLDING CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED CONDENSED STATEMENTS OF FINANCIAL CONDITION**

	<u>June 30, 2009</u>	<u>March 31, 2008</u>
	<u>(unaudited)</u>	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 453,483	\$ 6,694,914
Cash - restricted	381,728	252,408
Receivable from clearing broker	7,106,103	1,294,689
Securities owned, at fair value	2,967,952	2,246,488
Income taxes receivable	75,040	75,040
Furniture, equipment, capitalized software and leasehold improvements, net	1,219,732	1,182,028
Deferred tax assets	1,515,000	1,515,000
Prepaid expenses and other assets	1,180,639	866,027
Prepaid compensation, net	1,400,167	1,869,167
Goodwill	1,111,179	1,111,179
	<u>\$17,411,023</u>	<u>\$17,106,940</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities:		
Securities sold, but not yet purchased, at fair value	\$ 574,501	\$ 637,829
Commissions payable	1,902,080	1,259,987
Income taxes payable	103,787	60,827
Payable to clearing brokers	—	48,833
Accounts payable and accrued expenses and other liabilities	2,098,531	1,461,774
Total liabilities	<u>4,678,899</u>	<u>3,469,250</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.001 par value; 1,000,000 shares authorized, none issued	—	—
Common stock, \$.001 par value; 100,000,000 shares authorized; 47,794,537 shares issued and outstanding at June 30, 2009 and March 31, 2009	47,795	47,795
Additional paid-in capital	17,988,113	17,794,521
Accumulated deficit	<u>(5,303,784)</u>	<u>(4,204,626)</u>
Total stockholders' equity	<u>12,732,124</u>	<u>13,637,690</u>
	<u>\$17,411,023</u>	<u>\$17,106,940</u>