



12010483

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	April 30, 2013
Estimated average burden hours per response.....	12.00

A
3/11

**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8-17864

SEC
Mail Processing
Section

FEB 29 2012

Washington, DC
123

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/11 AND ENDING 12/31/11
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **Valley Forge Asset Management Corp.**

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

150 South Warner Road, Suite 200

(No. and Street)

King of Prussia

PA

19406

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Michael E. Swallow

(610) 687-6800

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

PricewaterhouseCoopers, LLP

(Name - if individual, state last, first, middle name)

1800 Tysons Blvd., Suite 900

McLean

VA

22102-4261

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

Certified Public Accountant

Public Accountant

Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

[Empty box for official use only]

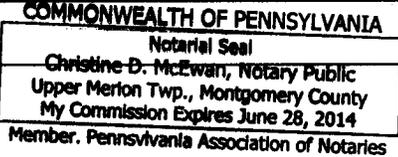
Potential persons who are to respond to the collection of information contained in this form are not required to respond SEC 1410 (06-02) unless the form displays a currently valid OMB control number.

AB
3/16

OATH OR AFFIRMATION

I, Michael F. Swallow, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Valley Forge Asset Management Corp.

of December 31, 2011, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



[Handwritten Signature]

Signature

Chief Financial Officer

Title

Christine D McEwan
Notary Public

This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition. I
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

Valley Forge Asset Management Corp.

(A wholly owned subsidiary of Susquehanna Bancshares, Inc.)

**Financial Statements and Supplemental Schedules
December 31, 2011 and 2010**



Valley Forge Asset Management Corp.

(A wholly owned subsidiary of Susquehanna Bancshares, Inc.)

**Financial Statements and Supplemental Schedules
December 31, 2011 and 2010**

Valley Forge Asset Management Corp.
(A wholly owned subsidiary of Susquehanna Bancshares, Inc.)
Index
December 31, 2011 and 2010

	Page(s)
Report of Independent Auditors	1
Financial Statements	
Statements of Financial Condition	2
Statements of Income	3
Statements of Changes in Shareholder's Equity	4
Statements of Changes in Subordinated Borrowings	5
Statements of Cash Flows	6
Notes to Financial Statements	7-19
Supplemental Schedules	
Schedule I: Computation of Net Capital and Aggregate Indebtedness Pursuant to SEC Rule 15c3-1	20
Schedule II: Computation for Reserve Requirements and Information Relating to Possession or Control Requirements Pursuant to SEC Rule 15c3-3.....	21



Report of Independent Auditors

To the Board of Directors and Stockholder of
Valley Forge Asset Management Corp.

In our opinion, the accompanying statements of financial condition and the related statements of income, changes in shareholder's equity, changes in subordinated borrowings, and of cash flows present fairly, in all material respects, the financial position of Valley Forge Asset Management Corp. (a wholly owned subsidiary of Susquehanna Bancshares, Inc.) (the "Company") at December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Company is a wholly-owned subsidiary of Susquehanna Bancshares, Inc. (the "Parent"). As disclosed in the notes to the financial statements, the Company has transactions and relationships with affiliated companies. As such, the financial position of the Company is not necessarily indicative of that which would have been, had the Company operated independently.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplemental schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

February 27, 2012

Valley Forge Asset Management Corp.
(A wholly owned subsidiary of Susquehanna Bancshares, Inc.)
Statements of Financial Condition
December 31, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents	\$ 2,118,346	\$ 671,088
Restricted cash	100,000	100,000
Total cash and cash equivalents	<u>2,218,346</u>	<u>771,088</u>
Investment advisory fees receivable	3,513,114	3,175,133
Other receivable	4,539	4,378
Commissions receivable	2,408	5,879
Short-term investments	2,002,437	2,928,061
Investment securities	3,007,630	2,992,365
Prepaid expenses and other assets	3,998,450	5,391,542
Furniture and equipment, at cost, less accumulated depreciation of \$142,809 and \$121,806, respectively	161,682	182,685
Goodwill	19,801,138	19,801,138
Customer intangible, net of accumulated amortization of \$2,197,702 and \$1,821,575, respectively	2,967,529	2,493,656
Total assets	<u>\$ 37,677,273</u>	<u>\$ 37,745,925</u>
Liabilities and Shareholder's Equity		
Liabilities		
Accounts payable, accrued expenses, and other liabilities	\$ 2,132,790	\$ 2,464,352
Investment advisory fees payable	92,550	523,205
Income tax payable	80,822	185,959
Deferred tax liability, net	2,427,975	2,384,482
Subordinated borrowings from Affiliate	31,000,000	31,000,000
Total liabilities	<u>35,734,137</u>	<u>36,557,998</u>
Shareholder's equity		
Common stock, \$.01 par value, 100 shares authorized and 100 issued and outstanding	1	1
Additional paid-in capital	52,181	52,181
Retained earnings	1,890,954	1,135,745
Total shareholder's equity	<u>1,943,136</u>	<u>1,187,927</u>
Total liabilities and shareholder's equity	<u>\$ 37,677,273</u>	<u>\$ 37,745,925</u>

The accompanying notes are an integral part of these financial statements.

Valley Forge Asset Management Corp.
(A wholly owned subsidiary of Susquehanna Bancshares, Inc.)
Statements of Income
Years Ended December 31, 2011 and 2010

	2011	2010
Revenues		
Investment advisory fees	\$ 11,683,027	\$ 12,071,374
Commissions	3,181,370	3,077,114
Trading gains (losses)	10,364	(3,720)
Interest and dividends	72,110	53,169
Other income	1,234,204	1,488,966
Total revenues	<u>16,181,075</u>	<u>16,686,903</u>
Expenses		
Employee compensation and benefits	7,031,829	6,986,479
Commissions	467,335	372,965
Regulatory fees and expenses	161,474	168,333
Consulting and professional expenses	1,137,997	2,624,481
Communications and data processing expenses	277,414	259,223
Occupancy expenses	392,821	382,012
Interest expense	3,100,000	2,277,778
Other expenses (income)	1,153,741	(237,488)
Total expenses	<u>13,722,611</u>	<u>12,833,783</u>
Income before provision for income taxes	2,458,464	3,853,120
Provision for income taxes	928,255	1,663,034
Net income	<u>\$ 1,530,209</u>	<u>\$ 2,190,086</u>

The accompanying notes are an integral part of these financial statements.

Valley Forge Asset Management Corp.
(A wholly owned subsidiary of Susquehanna Bancshares, Inc.)
Statements of Changes in Shareholder's Equity
Years Ended December 31, 2011 and 2010

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
	<u>Shares Outstanding</u>	<u>Amount</u>			
Balance as of December 31, 2009	100	\$ 1	\$ 15,052,181	\$ 1,945,659	\$ 16,997,841
Net income	-	-	-	2,190,086	2,190,086
Cash dividends	-	-	-	(3,000,000)	(3,000,000)
Return of capital distributed to Parent	-	-	(15,000,000)	-	(15,000,000)
Balance as of December 31, 2010	100	1	52,181	1,135,745	1,187,927
Net income	-	-	-	1,530,209	1,530,209
Cash dividends	-	-	-	(775,000)	(775,000)
Balance as of December 31, 2011	<u>100</u>	<u>\$ 1</u>	<u>\$ 52,181</u>	<u>\$ 1,890,954</u>	<u>\$ 1,943,136</u>

The accompanying notes are an integral part of these financial statements.

Valley Forge Asset Management Corp.
(A wholly owned subsidiary of Susquehanna Bancshares, Inc.)
Statements of Changes in Subordinated Borrowings
Years Ended December 31, 2011 and 2010

Subordinated borrowings at December 31, 2009	\$ 15,000,000
Additional subordinated borrowings during the year	31,000,000
Repayment of subordinated borrowings during the year	<u>(15,000,000)</u>
Subordinated borrowings at December 31, 2010	<u>31,000,000</u>
Subordinated borrowings at December 31, 2011	<u>\$ 31,000,000</u>

The accompanying notes are an integral part of these financial statements.

Valley Forge Asset Management Corp.
(A wholly owned subsidiary of Susquehanna Bancshares, Inc.)
Statements of Cash Flows
Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Net income	\$ 1,530,209	\$ 2,190,086
Adjustments to reconcile net income to cash provided by (used in) operating activities		
Depreciation and amortization, net of accretion	397,130	401,298
(Gains) losses from trading securities	(10,364)	3,720
Increase in deferred tax liability, net	43,493	688,662
(Increase) decrease in operating assets		
Investment advisory fees receivable	(337,981)	(215,769)
Commissions receivable	3,471	6,889
Other receivable	(161)	(9)
Short-term investments	925,624	(2,214,061)
Investment securities		4,288,593
Prepaid expenses and other assets	1,393,092	(3,978,116)
Increase (decrease) in operating liabilities		
Accounts payable, accrued expenses and other liabilities	(331,562)	(1,056,213)
Investment advisory fee payable	(430,655)	34,357
Income tax payable	(105,137)	(641,864)
Net cash provided by (used in) operating activities	<u>3,077,159</u>	<u>(492,427)</u>
Cash flows from investing activities		
Change in restricted cash	-	54,352
Acquisition of customer relationship intangible	(850,000)	-
Purchase of investment securities	21,336	(2,993,498)
Proceeds from the sale of investment securities	(26,237)	499,060
Net cash used in investing activities	<u>(854,901)</u>	<u>(2,440,086)</u>
Cash flows from financing activities		
Proceeds from subordinated borrowings	-	31,000,000
Repayment of subordinated borrowings	-	(15,000,000)
Cash dividends paid to Parent	(775,000)	(3,000,000)
Return of capital distributed to Parent	-	(15,000,000)
Net cash used in financing activities	<u>(775,000)</u>	<u>(2,000,000)</u>
Increase (decrease) in cash and cash equivalents	1,447,258	(4,932,513)
Cash and cash equivalents		
At January 1	<u>671,088</u>	<u>5,603,601</u>
At December 31	<u>\$ 2,118,346</u>	<u>\$ 671,088</u>
Supplemental disclosure of cash flow information		
Cash paid during the period for		
Income taxes	\$ 1,087,129	\$ 1,479,817
Interest expense	\$ 3,100,000	\$ 2,277,778

The accompanying notes are an integral part of these financial statements.

Valley Forge Asset Management Corp.
(A wholly owned subsidiary of Susquehanna Bancshares, Inc.)
Notes to Financial Statements
December 31, 2011 and 2010

1. The Company

Valley Forge Asset Management Corp. (the "Company") was incorporated on October 10, 1973. The Company is a broker-dealer and investment advisor registered with the Securities and Exchange Commission ("SEC"), and is a member of Financial Industry Regulatory Authority ("FINRA"). The Company clears all transactions through an unaffiliated broker-dealer on a fully disclosed basis. In 2000, Susquehanna Bancshares, Inc. (the "Parent"), a bank holding company headquartered in Lititz, Pennsylvania, acquired the Company.

2. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under this basis, revenues are recognized in the year in which they are earned and become measurable, and expenses are recognized in the year they are incurred. The Company's revenues consist primarily of individual and institutional investment advisory fees and commissions on customer trades. Investment advisory fees are recognized as income when earned under the accrual basis of accounting. Securities transactions and commission revenue and related expenses are recorded on a trade date basis. The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and to general practices in the financial industry.

The more significant policies follow:

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of financial condition and reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the contingent liability for customer losses.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash and short-term investments having an original maturity of three months or less.

Restricted Cash

Restricted cash is cash that is restricted under the Company's agreements with its clearing broker-dealer.

Short-Term Investments

Short-term investments are cash and cash equivalents with original maturities of three months or more.

Investment Securities

The Company classifies debt and equity securities as trading securities. These securities are reflected in the statement of financial condition at fair value with changes in fair value recognized in earnings of each period. They include U.S. government securities and an auction rate security ("ARS").

Valley Forge Asset Management Corp.
(A wholly owned subsidiary of Susquehanna Bancshares, Inc.)
Notes to Financial Statements
December 31, 2011 and 2010

The ARS, which was purchased at par value, matures on March 1, 2042. The Company purchased the security with a guarantee from the seller that states if the ARS is sold or redeemed on or after January 30, 2012, the seller shall pay the difference between the total consideration received by the Company and par value of the ARS. The reported value of the ARS is at par in the Statement of Financial Condition.

Refer to note 14, Fair Value Disclosures, for further discussion on fair value measurements.

Furniture and Equipment

Office and computer equipment are recorded at cost. Depreciation is provided on a straight-line basis. When items of furniture and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income. Depreciable lives of the items included at December 31, 2011 and 2010 are as follows:

Computer equipment	five years
Office equipment	seven years

Depreciation expense, in the amounts of \$21,003 and \$21,028, was incurred for the years ended December 31, 2011 and 2010, respectively.

Investment Advisory Fees Receivable

Investment advisory fees receivable includes fees receivable from both individual and institutional customers. Investment advisory fee revenue is recognized for the period in which it is earned and is typically based on assets under management.

Goodwill and Customer Intangible

The Company follows Topic 805, *Business Combinations*, and Topic 350, *Goodwill and Other Intangible Assets*. Net assets of companies acquired in purchase transactions are recorded at their fair value at the date of acquisition. Intangible assets acquired in acquisitions are identified and amortized over their useful lives, which is further detailed in Note 5.

The Parent tests goodwill for impairment on an annual basis, or more often if events or circumstances indicate that there may be impairment. The interim and annual goodwill impairment tests, which require significant judgment and analysis, performed during the year ended December 31, 2011, indicated that there was no impairment of the Company's goodwill or intangible assets.

Fair Value of Financial Instruments

Financial instruments are reported in the financial statements at fair value.

Income Taxes

The Company is included in the consolidated federal income tax return for the Parent. The Company's method of accounting for income taxes conforms with Topic 740, *Income Taxes*, utilizes the liability method and deferred taxes are determined based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities given the provisions of the enacted tax laws.

Valley Forge Asset Management Corp.
(A wholly owned subsidiary of Susquehanna Bancshares, Inc.)
Notes to Financial Statements
December 31, 2011 and 2010

Concentration of Credit Risk

Financial instruments which subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company deposits its cash and cash equivalents with its principal bank, Susquehanna Bank, which is an affiliated bank of its Parent. The Company has not required collateral for its accounts receivable.

3. Securities

The amortized cost and estimated fair values as of December 31, 2011 and 2010 are as follows:

As of December 31, 2011	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Investment securities:				
Auction rate security	\$ 500,000	\$ -	\$ -	\$ 500,000
U.S. Government agencies	<u>2,496,175</u>	<u>12,306</u>	<u>851</u>	<u>2,507,630</u>
Total available-for-sale investments	<u>\$ 2,996,175</u>	<u>\$ 12,306</u>	<u>\$ 851</u>	<u>\$ 3,007,630</u>

As of December 31, 2010	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Investment securities:				
Auction rate security	\$ 500,000	\$ -	\$ -	\$ 500,000
U.S. Government agencies	<u>2,498,779</u>	<u>1,642</u>	<u>8,056</u>	<u>2,492,365</u>
Total available-for-sale investments	<u>\$ 2,998,779</u>	<u>\$ 1,642</u>	<u>\$ 8,056</u>	<u>\$ 2,992,365</u>

The amortized cost and estimated fair value of investment securities as of December 31, 2011 and 2010, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities as issuers may have the right to call or prepay certain obligations with or without call or prepayment penalties.

Valley Forge Asset Management Corp.
(A wholly owned subsidiary of Susquehanna Bancshares, Inc.)
Notes to Financial Statements
December 31, 2011 and 2010

As of December 31, 2011	Amortized Cost	Fair Value
Investment securities:		
Within one year	\$ 499,601	\$ 498,750
After five years but within ten years	1,996,574	2,008,880
After ten years	500,000	500,000
	<u>\$ 2,996,175</u>	<u>\$ 3,007,630</u>

As of December 31, 2010	Amortized Cost	Fair Value
Investment securities:		
Within one year	\$ 1,499,073	\$ 1,500,715
After five years but within ten years	999,706	991,650
After ten years	500,000	500,000
	<u>\$ 2,998,779</u>	<u>\$ 2,992,365</u>

The following table shows the gross unrealized gains and losses and other-than-temporary impairment, as applicable, as of December 31, 2011 and 2010.

	For the Year Ended December 31,	
	2011	2010
	Investment Securities	Investment Securities
Gross gains	\$ 12,306	\$ 1,642
Gross losses	(851)	(8,056)
Net losses	<u>\$ 11,455</u>	<u>\$ (6,414)</u>

Valley Forge Asset Management Corp.
(A wholly owned subsidiary of Susquehanna Bancshares, Inc.)
Notes to Financial Statements
December 31, 2011 and 2010

The following table shows the gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2011 and 2010.

December 31, 2011	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government agencies	\$ 498,750	\$ 851	\$ -	\$ -	\$ 498,750	\$ 851
	<u>\$ 498,750</u>	<u>\$ 851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 498,750</u>	<u>\$ 851</u>

December 31, 2010	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government agencies	\$ 991,650	\$ 8,056	\$ -	\$ -	\$ 991,650	\$ 8,056
	<u>\$ 991,650</u>	<u>\$ 8,056</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 991,650</u>	<u>\$ 8,056</u>

4. Goodwill and Customer Intangible

The Parent tests goodwill for impairment on an annual basis, or more often if events or circumstances indicate that there may be an impairment. The Parent performed its annual goodwill impairment tests in the second quarter of 2011 and determined that the fair value of each of its reporting units exceeded its book value, and there was no goodwill impairment. However, taking into consideration current market conditions, the Parent decided that it would be prudent to perform an interim goodwill impairment test for wealth management reporting unit, including the Company, at December 31, 2011.

The Company measured fair value using the "market" approach and the "income" approach. The income approach measures the value of the reporting unit based on a discount rate to determine the present value of the reporting unit's future economic benefit over ten years, assuming a weighted increase in the reporting unit's revenues and a weighted increase in the reporting unit's expenses. In keeping with the investment community's current valuations of wealth management institutions, Susquehanna predominantly uses the income approach.

The Company will also test customer intangibles for recoverability when circumstances indicate there may be an impairment. We would base our calculations utilizing the income approach including the same assumptions and methodology described for goodwill.

Fair value of the Company exceeded carrying value at December 31, 2011 and 2010, respectively.

On December 23, 2011, the Company acquired assets (advisory contracts) from Sterling Asset Management, LLC, an investment advisory firm located in King of Prussia, PA. The purchase price shall equal the amount by which annual total fixed income revenues from the accounts, over a five year period, exceeds \$300,000 per year. At closing, VFAM paid Sterling \$850,000 as an advance payment of the purchase price, and such amount will be applied as a credit to VFAM's subsequent purchase price payment obligations as they become due. The \$850,000 down payment represents a customer intangible which is amortized based on the annualized revenues as of December 31, 2011.

Valley Forge Asset Management Corp.
(A wholly owned subsidiary of Susquehanna Bancshares, Inc.)
Notes to Financial Statements
December 31, 2011 and 2010

Intangible assets consist of customer lists acquired in acquisitions. The Company recognized amortization expense of \$376,127 and \$381,917, respectively, for the years ended December 31, 2011 and 2010.

Balance, net of accumulated amortization December 31, 2009	\$ 2,875,573
Amortization	<u>(381,917)</u>
Balance, net of accumulated amortization December 31, 2010	<u>2,493,656</u>
Amortization	(376,127)
Purchase of assets (advisory accounts)	<u>850,000</u>
Balance, net of accumulated amortization December 31, 2011	<u>\$ 2,967,529</u>

Estimated amortization expense for the year ended December 31

2012	\$ 982,888
2013	506,666
2014	295,204
2015	273,525
2016	251,847
Subsequent years	657,399
	<u>2,967,529</u>

5. Subordinated Borrowings

In March 2001, the Company borrowed \$15,000,000 under an equity type subordinated note agreement with the Parent. Effective July 1, 2010, the Company borrowed \$31,000,000 under an equity type subordinated note agreement with Antietam Finance, LLC, an affiliate of the Parent. The borrowing was approved by FINRA on July 6, 2010, formerly known as the National Association of Securities Dealers (the "NASD"), and bears interest at a rate payable of 10% per annum. The note matures June 30, 2020. The subordinated note is available in computing net capital under the SEC's Uniform Net Capital Rule ("SEC Rule 15c3-1"). To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

Valley Forge Asset Management Corp.
(A wholly owned subsidiary of Susquehanna Bancshares, Inc.)
Notes to Financial Statements
December 31, 2011 and 2010

6. Income Taxes

The components of the provision for income taxes for the years ended December 31, 2011 and 2010 are as follows:

	2011	2010
Current		
Federal	\$ 725,963	\$ 769,238
State	166,306	202,440
Total current	<u>892,269</u>	<u>971,678</u>
Deferred		
Federal	30,947	580,084
State	5,039	111,272
Total deferred	<u>35,986</u>	<u>691,356</u>
Total provision for income taxes	<u>\$ 928,255</u>	<u>\$ 1,663,034</u>

The differences between income tax expenses at statutory U.S. federal income tax rates and the Company's effective income tax rates are as follows:

	2011	2010
Tax on pre-tax income at statutory federal rate	\$ 856,835	\$ 1,349,894
State tax provision	113,138	242,858
Other	(41,718)	70,282
	<u>\$ 928,255</u>	<u>\$ 1,663,034</u>

The components of the net deferred taxes as of December 31 were as follows:

	2011	2010
Deferred tax assets		
Post-retirement benefits	\$ 122,926	\$ 103,783
Customer list amortization	210,000	178,462
Accrued primary fund reserve	-	272,509
Accrued bonuses	322,252	-
Other assets	17,062	13,310
Unrealized investment securities (gains)/losses	(4,811)	2,694
Total deferred tax assets	<u>667,429</u>	<u>570,758</u>
Deferred tax liabilities		
Deferred compensation	1,875,382	1,884,219
Goodwill amortization	826,196	685,507
Prepaid pension expense	383,706	385,514
Other liabilities	10,120	-
Total deferred tax liabilities	<u>3,095,404</u>	<u>2,955,240</u>
Deferred tax liability, net	<u>\$ 2,427,975</u>	<u>\$ 2,384,482</u>

Valley Forge Asset Management Corp.
(A wholly owned subsidiary of Susquehanna Bancshares, Inc.)
Notes to Financial Statements
December 31, 2011 and 2010

The Company files a consolidated federal tax return with the Parent and the Parent's subsidiaries. The Company determines its current and deferred income tax expense or benefit on a separate company basis. In accordance with the tax sharing agreement, the Parent will reimburse the related entities for any tax benefits recorded on a separate company basis when utilized on the consolidated return, and the related entities will reimburse the Parent for any tax expense recorded on a separate company basis. The amount of tax-related balances due (from) to the Parent was (\$141,387) and \$185,959 at December 31, 2011 and 2010, respectively.

Uncertainty in Income Taxes

A reconciliation of the beginning amount of unrecognized tax benefits to the ending amount at December 31, 2011 in accordance with ASC 740-10-50, "Income Taxes," is as follows:

Balance at December 31, 2010	-
Increase based on tax positions related to the current year	-
Increase for tax positions of prior years	\$15,568
Decrease for tax positions of prior years	-
Decrease related to settlements with taxing authorities	-
Decrease related to expiration of statute of limitations	-
Balance at December 31, 2011	<u>\$15,568</u>

The Company has \$10,119 of unrecognized tax benefits, of which \$10,119, if recognized would affect the effective tax rate. The Company does not anticipate a significant change to the total amount of unrecognized tax benefits within the next twelve months.

Additionally, the Company files income tax returns in various state and local jurisdictions. With few exceptions, the Company is no longer subject to U.S. and local examinations by tax authorities before 2008. As of December 31, 2011, the Parent is under examination by the IRS. The Company is not currently under any state or local examinations.

7. Benefits Plans

The Parent maintains a 401(k) savings plan which allows the Company employees to invest a percentage of their earnings, matched up to a certain amount specified by the Parent. Contributions to the Parent's 401(k) savings plan, which are included in employee compensation and benefits expense, were \$228,098 and \$168,890 for the years ended December 31, 2011 and 2010, respectively.

Employees of the Company are covered under the Parent's noncontributory pension plan. Retirees of the Company are covered under the Parent's life insurance and medical benefits plan. For the years ending December 31, 2011 and 2010, the Company contributed \$0 to the Parent's pension plan. For the years ending December 31, 2011 and 2010, respectively, the Company had other postretirement benefits expenses of \$47,102 and \$43,734 for other benefits.

Valley Forge Asset Management Corp.
(A wholly owned subsidiary of Susquehanna Bancshares, Inc.)
Notes to Financial Statements
December 31, 2011 and 2010

8. Lease Commitments

The Company's headquarters and additional office space is leased from independent third parties. Minimum future lease payments under which the Company is obligated are as follows:

	Third Party Commitments
2012	\$ 364,110
2013	383,266
2014	305,372
2015	135,451
2016 and thereafter	178,294
	<u>\$ 1,366,493</u>

The Company paid occupancy expense for office space in the amounts of \$350,514 and \$341,229 and paid rent expense for equipment in the amounts of \$18,855 and \$20,719 for the years ended December 31, 2011 and 2010, respectively.

9. Related Party Transactions

See Note 6 for information on the subordinated borrowings with the Parent and affiliate. Total interest expense from related party borrowings amounted to \$3,100,000 and \$2,277,778 for the years ended December 31, 2011 and 2010, respectively.

The Company's employees are eligible to participate in a deferred income plan offered by the Parent. The expense associated with this plan is included as a component of employee compensation and benefits expense on the statements of income.

Additionally, the Company maintains accounts with Susquehanna Bank, an affiliate of the Parent. These deposits amounted to \$418,410 and \$456,978 at December 31, 2011 and 2010, respectively.

The Company is a wholly owned subsidiary of the Parent. As such, the statements of financial condition and statements of income may not necessarily be indicative of the financial position and operations that would have existed had the Company operated as an unaffiliated corporation.

10. Net Capital Requirements

The Company is subject to SEC Rule 15c3-1, which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2011, the Company had net capital of \$1,533,325, which exceeded the minimum net capital requirement by \$1,283,325. The Company's ratio of aggregate indebtedness to net capital was 1.50 to 1 at December 31, 2011.

Valley Forge Asset Management Corp.
(A wholly owned subsidiary of Susquehanna Bancshares, Inc.)
Notes to Financial Statements
December 31, 2011 and 2010

11. Concentration Risk

The Company's principal customers are institutional funds, the largest of which accounted for approximately 8.0% and 7.9% of its assets under management and investment advisory fees receivable, respectively, as of December 31, 2011.

12. Commitments and Contingencies

In the normal course of business, the Company's customer activities involve the execution and settlement of various customer securities transactions. The Company uses a clearing broker to execute certain customer transactions. Such transactions may expose the Company and the clearing broker-dealer to significant off-balance sheet risk in the event margin requirements are not sufficient to fully cover losses which customers may incur. The Company has evaluated this indemnification and determined that there is no contingent liability required to be recorded at December 31, 2011 and 2010.

On September 16, 2008, The Reserve publicly disclosed that a money market fund it manages, The Primary Fund, had its net asset value drop from \$1.00 to \$0.97 per share. The Company initiated a redemption request for its clients' assets invested in The Primary Fund (the "Fund") following this announcement which was processed by The Reserve on September 19, 2008. Based upon information from The Reserve, the Company believes that the Fund's net asset value upon an orderly liquidation will be approximately \$0.97 per share. Should customers receive less than \$1.00 per share from the Fund upon liquidation, the Company has committed up to \$2.1 million to mitigate losses of customers of the Company who held positions in the Fund as of December 31, 2009. The contingent liability is recognized in accounts payable, accrued expenses, and other liabilities and the associated expense is recorded in other expenses.

On May 5, 2009, the SEC filed a complaint in U.S. District Court (the "Court") in which the Court was requested to enter an order compelling a pro rata distribution of remaining fund assets, which would release a significant amount of money that was being withheld from investors pending the outcome of numerous lawsuits against the fund, the trustees and other officers and directors of The Reserve entities. On November 25, 2009, the Court entered an order that substantially approved the SEC's plan and rejected the original reserve amount set up by the Fund.

On January 29, 2010, The Reserve distributed approximately \$3.4 billion, which represents approximately 95% of the Fund's remaining asset value prior to the distribution. To date, the Fund has returned approximately 99% of assets to investors. The remaining \$160 million will remain in the Fund to cover claims and expenses, to the extent such amounts are approved by the Court.

As such, during 2010, the Company reduced its contingent liability reserve for this matter by approximately \$1.3 million, which is reflected as a reduction to other expense in the statements of income. As of December 31, 2010, the remaining contingency reserve of approximately \$0.7 million is included in accounts payable, accrued expenses and other liabilities in the statements of financial condition.

On February 10, 2011, the Company purchased all remaining Fund shares of its clients that consented to sell their shares to the Company in the amount of \$0.7 million. The purchase price was \$1 per share. The Company has no further financial commitment to clients that chose to remain a shareholder of the Fund. As a result, as of February 2011, the Company has no remaining contingency reserve.

Valley Forge Asset Management Corp.
(A wholly owned subsidiary of Susquehanna Bancshares, Inc.)
Notes to Financial Statements
December 31, 2011 and 2010

13. Fair Value Disclosures

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. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level in the hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest level input that is significant to the fair value measurement in its entirety.

At December 31, 2011, the Company had made no elections to use fair value as an alternative measurement for selected financial assets and financial liabilities not previously carried at fair value. In addition, nonfinancial liabilities have not been measured at fair value because the Company has made the determination that the impact on its financial statements would be minimal.

The following is a description of the Company's valuation methodologies for assets carried at fair value. These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes that its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at reporting date.

Investment Securities

Where other than quoted prices are available in an active market, securities are classified in Level 2 and Level 3 of the valuation hierarchy. Securities in Level 2 are U.S. Government Agencies and in Level 3 is an auction rate security.

Valley Forge Asset Management Corp.
(A wholly owned subsidiary of Susquehanna Bancshares, Inc.)
Notes to Financial Statements
December 31, 2011 and 2010

Assets Measured at Fair Value on a Recurring Basis

The following tables present the financial instruments carried at fair value as of December 31, 2011 and 2010, on the statements of financial condition by level within the valuation hierarchy. There were no transfers between levels during the year.

Description	Fair Value Measurements at Reporting Date Using			
	December 31, 2011	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Auction Rate Security	\$ 500,000	\$ -	\$ -	\$ 500,000
U.S. Government Agencies	2,507,630	-	2,507,630	-
Total	<u>\$ 3,007,630</u>	<u>\$ -</u>	<u>\$ 2,507,630</u>	<u>\$ 500,000</u>

Description	Fair Value Measurements at Reporting Date Using			
	December 31, 2010	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Auction Rate Security	\$ 500,000	\$ -	\$ -	\$ 500,000
U.S. Government Agencies	2,492,365	-	2,492,365	-
Total	<u>\$ 2,992,365</u>	<u>\$ -</u>	<u>\$ 2,492,365</u>	<u>\$ 500,000</u>

Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs

The following tables present roll forwards of the balance sheet amounts for the twelve months ended December 31, 2011 and 2010 for financial instruments classified by the Company within Level 3 of the valuation hierarchy.

	Auction Rate Security
Balance as of January 1, 2011	\$ 500,000
Total gains or losses (realized/unrealized)	-
Purchases, issuances, and settlements	-
Transfers in and/or out of Level 3	-
Balance as of December 31, 2011	<u>\$ 500,000</u>

Additional Disclosures about Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Valley Forge Asset Management Corp.
(A wholly owned subsidiary of Susquehanna Bancshares, Inc.)
Notes to Financial Statements
December 31, 2011 and 2010

Cash and cash equivalents

For those short-term instruments, the carrying amount is a reasonable estimate of fair value.

Investment securities

Refer to the above discussion on securities.

Subordinated borrowings

Fair values were based upon discounted cash flows of the instrument.

The following table represents the carrying amounts and estimated fair values of the Company's financial instruments at December 31:

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	\$ 2,218,346	\$ 2,218,346	\$ 771,088	\$ 771,088
Short-term investments	2,002,437	2,002,437	2,928,061	2,928,061
Investment securities	2,996,175	3,007,630	2,998,779	2,992,365
Financial liabilities				
Subordinated borrowings	31,000,000	30,857,864	31,000,000	30,847,213

14. Regulatory Matters

The Company operates in a highly regulated industry. Applicable laws and regulations restrict permissible activities and investments and require compliance with financial and customer related protection. The consequences of noncompliance can include substantial monetary and nonmonetary penalties. In addition, the Company is subject to comprehensive examination and supervision by governmental and self regulatory agencies. These regulatory agencies have broad discretion to impose restrictions and limitations on the operations of a regulated entity where the agencies determine that such operations are unsound, fail to comply with applicable law or are otherwise inconsistent with the regulations or the supervisory policies of these agencies.

15. Subsequent Event

The Company evaluated subsequent events through February 27, 2012. Management reviews and identifies subsequent events through participation at the Board of Directors meetings. All subsequent events requiring recognition as of February 27, 2012, have been incorporated into these financial statements herein.

Valley Forge Asset Management Corp.
(A wholly owned subsidiary of Susquehanna Bancshares, Inc.)
Computation of Net Capital and Aggregate Indebtedness
Pursuant to SEC Rule 15c3-1
December 31, 2011

Schedule I

Net capital and allowable subordinated borrowings	
Total stockholder's equity	\$ 1,943,136
Allowable subordinated borrowings	<u>31,000,000</u>
Total capital and allowable subordinated borrowings	<u>32,943,136</u>
Less nonallowable assets	
Unsecured receivables	3,513,114
Deposits/restricted cash/securities	600,500
Accounts receivable - miscellaneous	4,539
Prepaid expenses and other assets	3,998,450
Furniture and equipment, net	161,682
Goodwill	19,801,138
Customer intangible, net	2,967,529
Fidelity bond deductible provision	<u>270,000</u>
Total deductions and other charges	<u>31,316,952</u>
Net capital before hair-cut on securities	1,626,184
Less hair-cuts on securities owned	
U.S. Government agencies	82,849
Certificates of deposit	<u>10,010</u>
Total haircuts	<u>92,859</u>
Net capital	1,533,325
Net capital requirement	
Greater of 6.667% of aggregate indebtedness or \$250,000	<u>250,000</u>
Excess net capital	<u>1,283,325</u>
Aggregate indebtedness	
Accounts payable, accrued expenses, and other liabilities	\$ 2,132,788
Investment advisory fees payable	92,550
Income tax payable	<u>80,822</u>
Total aggregate indebtedness	<u>\$ 2,306,160</u>
Ratio of aggregate indebtedness to net capital	<u>1.50</u>

Reconciliation with FOCUS Report, Pursuant to Paragraph (d)(4) of Rule 17a-5

There are no material differences between the above computation and the unaudited FOCUS filed by the Company as of December 31, 2011.

Valley Forge Asset Management Corp.

(A wholly owned subsidiary of Susquehanna Bancshares, Inc.)

**Computation for Reserve Requirements and Information Relating to Possession
or Control Requirements Pursuant to SEC Rule 15c3-3**

December 31, 2011

Schedule II

The Company does not perform custodial functions relating to customer cash and securities. Accordingly, the Company claims exemption from SEC Rule 15c3-3 under subparagraph (k)(2)(ii) as of December 31, 2011.



MIX
Paper from
responsible sources
FSC® C012076

Printed on paper containing 30% post consumer waste
(PCW) fiber and certified by the Forest Stewardship Council.