

**Part 2A of Form ADV: Firm *Brochure***

Item 1 Cover Page

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This brochure provides information about the qualifications and business practices of ValueWorks LLC. If you have any questions about the contents of this brochure, please contact us at the phone number or the email address above. The information in this brochure has not been approved or verified by the United States Securities and Exchange commission or by any state securities authority.

Additional information about ValueWorks is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Throughout this brochure ValueWorks may refer to itself as a Registered Investment Advisor or RIA. This designation should not be taken to imply a standardized level of skill or training.

## Item 2 Material Changes

There have been no material changes in our business or the way we engage our clients since the last update of our brochure which was published (in the old format) in May 2010.

### Item 3 Table of Contents

Item 1 Cover Page

Item 2 Material Changes

Item 3 Table of Contents

Item 4 Advisory Business

- A. Description
- B. Types of Services
- C. Account Customization
- D. Wrap Programs
- E. Discretionary Assets

Item 5 Fees and Compensation

- A. Fees
- B. Fee Payment
- C. Other Fees
- D. Timing of Fee Payments and Refunds
- E. Alternative Compensation

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

Item 7 Types of Clients

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

- A. Investment Analysis and Risk of Loss
- B. Material and Unusual Risks
- C. Particular Types of Securities Recommended and Their Risks

Item 9 Disciplinary Information

- A. Criminal or Civil Action
- B. Administrative Proceeding Before the SEC
- C. A Self-regulatory Organization Proceeding

Item 10 Other Financial Industry Activities and Affiliations

- A. Registration as a Broker-dealer
- B. Registration as a Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Advisor
- C. Relationship with Other Investment Company and Hedge Fund
- D. Selection of Other Investment Advisors

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

- A. Description of Code of Ethics
- B. Practice and Conflict Regarding Recommending ValueWorks to Potential Clients
- C. Investing in the Same Securities as Those Purchased for Clients
- D. Investing in the Same Securities at the Same Time as Those Purchased for Clients

Item 12 Brokerage Practices

- A. Description of Factors Considered in Recommending Broker-dealers
  - 1. Research and Other Soft-Dollar Benefits
  - 2. Brokerage for Client Referrals
  - 3. Directed Brokerage
- B. Aggregation of Purchases and Sales

Item 13 Review of Accounts

- A. Periodicity of Account Review
- B. Additional Triggers of Account Reviews
- C. Client Reporting

Item 14 Client Referrals and Other Compensation

- A. Economic Benefits from Non-clients for Performing Services for Clients
- B. Compensating Non-Clients for Client Referrals

Item 15 Custody

Item 16 Investment Discretion

Item 17 Voting Client Securities

- A. Proxy Policy
- B.

Item 18 Financial Information

- A. Solicited Prepayments
- B. Conditions likely to impair ability to meet contractual obligations with clients
- C. Bankruptcy Filings

Item 19 Requirements for State-Registered Advisers

#### Item 4 Advisory Business

##### A. Description

ValueWorks provides investment management of equity and fixed income securities portfolios using a value-based investment style. We view securities at their most fundamental level as claims against underlying corporate assets; we work to identify opportunities where these underlying assets can be purchased at a discount to our appraisal of their actual worth.

ValueWorks has been operating as an investment advisor and RIA since 2001. The company is solely owned by Charles Lemonides who is the Chief Investment Officer and Chief Compliance Officer.

##### B. Types of Services

The majority of ValueWorks' client accounts are Separately Managed Accounts (SMA's) obtained through introductions from brokers or independent financial advisory firms. Brokers and advisors maintain ongoing financial service relationships with clients. Assets are held in accounts and traded at institutions where these brokers/advisors are affiliated. ValueWorks uses these client-designated and client-preferred service providers until the client directs otherwise in writing. A small percentage of our business is based on direct client engagement; these agreements do not have brokers or advisors managing the relationship with the client.

Standard client relationships may be in either Dual-Contract or Wrap programs. ValueWorks is currently available in the following programs:

##### **Dual Contract**

- American Portfolios
- Charles Schwab
- Etrade
- Fidelity
- Merrill Lynch
- Morgan Stanley Smith Barney
- Oppenheimer
- RBC Dain Rauscher
- UBS Financial
- Wells Fargo

##### **Wrap**

- Investor's Capital Advisory
- NBC Securities
- Sterne Agee Leach
- Stifel Nicolaus
- Wedbush Morgan

##### **Turnkey Asset Management Program** —Wrap programs used by multiple BD's

- Envestnet
- Lockwood's Managed Account Command program:
  - American Portfolios
  - Capital Securities
  - Jeffries Investment Advisors

##### **Unified Managed Asset (UMA's)**—Wrap programs that use multiple managers

- Adhesion Wealth Advisor
- Placemark

ValueWorks is the investment manager and sponsor of Wrap programs at T.D. Waterhouse and the

GMS group. ValueWorks is also the investment manager for ValueWorks Limited Partners (VWLP). VWLP is a hedge fund that is available to qualified investors and held in a prime brokerage account at JP Morgan. The general partner of VWLP is ValueWorks Capital LP whose managing member is Charles Lemonides.

In all investment decisions and products ValueWorks brings the expertise of an independent, bottom-up, value discipline and process.

ValueWorks determines both security selection and position size based on its particular value investment discipline, and our professional expertise and judgment regarding optimal portfolio construction. The excerpt below is from our marketing material and encapsulates well our specific strengths:

We are value investors. We uncover opportunity by understanding a company's underlying value—independent of market volatility.

At their most fundamental, stocks and bonds are claims against the assets of a company. The value of the assets then, is the key to determining what a company could be worth. Our process is designed to gain a claim against these assets at a discount to their underlying value. At ValueWorks we define value investing as buying the best-quality assets at the best possible prices.

We like to think of ourselves as bargain hunters: it is our goal to pay \$0.50 to \$0.75 for \$1.00 worth of assets. We evaluate the component parts of a company, assigning each of its assets a dollar value that, when added together, comprises the underlying value of the company; if this is higher than the company's stock price, we consider it an investment opportunity.

At ValueWorks, our consistency of process makes us an excellent investment choice for a core portfolio manager or as a diversification vehicle. ValueWorks is founded on independent judgment, intellectual consistency and a disciplined approach to original research. Our investment style is both time-tested and logical—simply put, we believe controlling quality assets at compelling valuations creates attractive returns over time.

#### C. Account Customization

ValueWorks has a number of investment structures that create a wide range of portfolio options for clients. As a starting point, composite groups allow clients to select from a market position that has some income consideration to a more full equity exposure to accounts that are designed to be more aggressive than the equity markets.

As part of the portfolio management agreement and service, ValueWorks is given authority to trade securities in client accounts. Clients may request that ValueWorks not purchase particular securities for their accounts, such as when they already hold significant positions in outside accounts; alternatively they may request that we continue to hold securities that transfer in to the account. Clients may request transactions for tax considerations or to adjust their account to better fit their risk profile. Also, as mentioned above, assets are held in accounts and traded at institutions where the clients' brokers/advisors are affiliated. ValueWorks uses these client-designated and client-preferred service providers until the client directs otherwise in writing.

#### D. Wrap Programs

Fee and service relationships may be structured through a wrap program, where all client fees are bundled in a single all-inclusive agreement. In these cases, ValueWorks is paid a portion of the total fee directly from the wrap sponsor. The total wrap fee is negotiated directly between the client and the sponsor. For investing purposes these accounts are treated the same as the other non-wrap accounts included in the same composite group. Wrap accounts offer an ease-of-use that may not be as available in dual-contract arrangements; however fees in wrap programs may be higher than paying for these same services individually.

E. Discretionary Assets

All assets managed by Valueworks in any program and in every investment vehicle are discretionary.

## Item 5 Fees and Compensation

### A. Fees

ValueWorks' standard asset management fee is 1% of account assets under management (AUM) per annum. This fee is negotiable and may be higher or lower per negotiation. Fee adjustments are primarily based on factors that influence the cost of account management. There are some economies of scale for managing larger accounts; generally, per dollar costs of account management and servicing decrease as client AUM increases. Fees for multiple accounts in a family group may be adjusted in consideration of total family assets managed. Special requests may also require additional management.

ValueWorks' portfolio management fees are a component of total AUM client fees. Other fees (paid by the client to other service providers) cover the services provided by the introducing broker/advisor, trading and custody expenses. ValueWorks is generally not responsible for or involved in the setting of these other fees. ValueWorks receives and is responsible for setting its management fees on client accounts; it does not receive and generally is not involved with the setting of the fees for brokerage, trading or custody. In cases where ValueWorks sponsors a wrap program it may be responsible for setting the other of these client fee rates.

As mentioned above, fee and service relationships may be structured through a wrap program, where all AUM fees are bundled in a single all-inclusive agreement. In these cases, ValueWorks is paid its portion of the total fee directly from the wrap sponsor and the total wrap fee is negotiated directly between the client and the sponsor. Generally the sponsor automatically deducts these fees from client accounts.

ValueWorks also manages client portfolios through dual contract structures with brokers dealers and/or financial advisory firms. In these cases, ValueWorks' fees are debited from the client's brokerage account. This fee is based on percentage of AUM. On occasion in special cases, an agreement may be structured where clients pay trading fees as incurred. In cases where ValueWorks manages the relationship directly and the account does not participate in a wrap program, clients may elect to be billed rather than having fees deducted automatically.

For SMA relationships above \$5,000,000, ValueWorks at its discretion may offer a performance based fee alternative. These relationships are negotiated individually. There is more information about these arrangements below in Item 6.

ValueWorks also receives management fees and a performance allocation for its management of ValueWorks Limited Partners (VWLP). VWLP is a hedge fund that is available to qualified investors and held in a prime brokerage account at JP Morgan. Participation in VWLP is available through direct relationships and through programs at certain broker dealers. Management fees of 1.5% of AUM are debited directly, charged quarterly in advance and performance allocations are done annually. Management fees may be negotiated. There is a one year lock-up period, the timing of contributions and withdrawals is limited and refunds are not available. Also see additional information below in Item 6.

ValueWorks sponsors wrap programs at T.D. Waterhouse and the GMS group. ValueWorks is also the investment manager of these wrap programs. Specific fee information on these programs should be reviewed in the relevant Form ADV 2A Appendix 1: *Wrap Fee Program Brochure* available from ValueWorks.

### B. Fee Payment

Discussed above in Item 5.A.

### C. Other Fees

Discussed above in Item 5.A. In addition to the specific fees listed there, there may be other miscellaneous charges to the client not specifically outlined. Also see below at Item 12 Brokerage Practices. A.3—Directed Brokerage.



**D. Timing of Fee Payments and Refunds**

Fees are charged quarterly in advance based on market valuations for the last day of the prior quarter. For accounts opened at times other than at the end of each quarter, initial fees are pro-rated on a daily basis. Accounts may be closed at the client's request. Accounts closed during the course of a quarter are refunded a pro-rated portion of the management fee for the time remaining in the quarter after termination.

**E. Alternative Compensation**

No ValueWorks employee accepts compensation for the sale of securities or other investment products; the only revenue sources for the business and its employees are the fees and performance allocations detailed above in section 5.A.

ValueWorks has arrangements to manage accounts custodied at various discount brokerage firms such as Schwab, Fidelity and TD Waterhouse. In the capacity of manager of multiple accounts ValueWorks may be granted rights to research, online trading, and account access or views that may not be available to the average retail client. These ancillary benefits in no way influence any trading or investment decisions made at ValueWorks; this is evidenced by the fact that only in-house research is used, that decisions about custodians are made by individual clients and that order rotation is set by a separate schedule.

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

For relationships above \$5,000,000, ValueWorks at its discretion may offer a fee structure comprised of, or including, a performance allocation based on the appreciation of client capital. In some cases the performance allocation is done quarterly, in some cases it is done annually; in some cases hurdle rates are used. Each of these details is subject to negotiation.

Performance arrangements have the potential to be substantially more lucrative than fee arrangements based solely on AUM. This situation could create an incentive for the investment team to favor accounts that pay performance fees. Clients should be aware that these higher potential fees could create incentives to favor performance fee accounts in both intellectual capital and in processes executed.

Accounts which pay these performance fees are part of composite (the Performance Fee Composite) with a different investment profile, account structure and investment objectives than accounts which pay all fees based on AUM (the Long Only Composites). These differences, as well as the separation of these accounts into their own composite, serve to reduce the potential process oriented conflicts of interest.

For investments which are shared across the Performance Fee Composite and the two Long Only Composites an order rotation system is used that is designed to be simple, easy to implement and which reduces potential favoritism. In most cases an established trading order is used, the broker-dealer engaged first in the 'current' trade becoming the broker-dealer engaged last in the next trade; an order rotation log is kept to document this process and ensure its compliance. Occasionally adherence to this order is loosened to ensure fair treatment throughout the rotation.

Additionally, because of its different portfolio structure and investment profile, some investments that are appropriate for the Performance Fee Composite are not appropriate for the Long Only Composites. These investments do not present the opportunity for favoring the performance fee clients because they are not investments available to those portfolios outside of this group.

The composite group which contains these performance fee accounts includes VWLP and a number of separate accounts. This composite represents approximately 25% of total AUM at ValueWorks.

Item 7      Types of *Clients*

At ValueWorks our business is specifically designed to serve high net worth individuals and the small institutions they control. This means that in addition to the personal investment accounts of these individuals we also manage many trusts, IRA's, pensions, 401(k)'s, as well as the accounts of several endowments and foundations.

With our straightforward and well-articulated process we have created an investment discipline that, while requiring a high degree of skill to employ, is relatively easy to understand; we have paired it with a no-nonsense philosophy carefully tuned to resonate with our clients' needs. Similarly, the other features of our client accounts—portfolio structure, holding period, turnover and risk parameters—were designed with the particular investment needs of our clientele in mind.

Our client roster reflects this focus. We are proud to manage the assets of CEOs of NYSE listed companies, US Congressmen, community religious leaders, a captain of a professional NY sports team and personal accounts of many financial professionals and consultants.

We can work directly with financial consultants to evaluate particular client investment profiles and build a plan designed to meet specific goals.

ValueWorks generally imposes a \$200,000 minimum account size. For purposes of this minimum, accounts that are related may be treated as a single account.

ValueWorks may accept accounts from \$100,000 through wrap-fee programs or dual contract arrangements with broker dealers. We reserve the right to waive this account minimum.

#### A. Investment Analysis and Risk of Loss

Investing in securities subjects the investor to risk of loss. At ValueWorks we seek to mitigate this risk and uncover potential appreciation of capital by using both thorough independent research and specific portfolio construction rules.

A clearly defined research process guides each of our investment decisions while our investment strategy enables us to target securities that we believe demonstrate attractive value, using a thoughtfully considered series of steps.

##### 1. Identification

We monitor the financial markets to identify securities that match our investment criteria—focusing on opportunities that appear misunderstood by the general market.

##### 2. Appraisal

First we identify the assets; then we appraise them. This allows us to determine the company's *underlying value*. Generally, these assets consist of operating businesses, but they may also include real-estate holdings, natural resources, patents, royalty rights, cash, interests in other businesses or other publicly held securities. We then decide whether the assets are of high quality and therefore likely to appreciate over time.

##### 3. Assessment

Here we assess any claims against a company's assets; we then compare the market price of the claims to the company's *underlying value*. If a particular security trades at a discount, we identify factors that could eliminate the valuation gap and increase its price. We then make a decision on the purchase of the security.

##### 4. Re-Evaluation

We continuously monitor our positions to determine if our original investment thesis still applies, taking necessary action to optimize our portfolio.

##### 5. Exit

We exit a position when a security either reaches full valuation or changes in its outlook invalidate part of our original thesis.

It is our belief that risks in investing can best be mitigated through a robust investment framework, a deep understanding of the financial markets and a well-reasoned security selection process that is built on substantial understanding of the corporate assets.

#### B. Material and Unusual Risks

Through this process material investment risk is reduced because worst case scenarios are considered in determining asset values; investments are generally not made unless the research concludes that value will likely be preserved in a negative outcome.

However, investment risk always remains; it is possible that a mistake is made in our process or we are given misleading company information that we rely on in a particular investment. Also the financial markets occasionally have dislocations during which securities become disassociated from the value of their underlying assets. During these times clients are at substantial risk of loss because before markets rebound the compulsion to get uninvested thereby locking in a loss becomes increasingly compelling. It is also worth mentioning that there are unforeseeable conditions that could impact investments at any time.

In portfolios that are part of the Long Only Composite groups, new investment purchases are generally limited to a maximum 5% of total investable assets. This initial investment is generally not added to in

cases where the particular investment declines in value. This measure is in place to limit risk to the percentage of the original investment.

In portfolios that are part of the Performance Fee Composite portfolio construction rules are different and different risks exist. These portfolios may employ leverage and options, making changes in value more volatile and subjecting investors to additional capital losses. These portfolios may also employ short-selling which, because of the mechanics of these investments, might make changes in value more volatile and subject investors to additional capital losses. The Performance Fee Composite group also relaxes the guideline for long only portfolios regarding size of an initial investment; in these portfolios initial investments can be up to 8% of investable assets. Because this initial investment amount is potentially higher, more portfolio value can be at risk in any particular investment. Further, the restriction for adding to an investment that declines in value is loosened which means that more total investable assets may be at risk in a single investment. Finally, because of the more frequent trade and leverage employed in this composite investors will be subject to additional fees that do not exist for participants in the Long Only Composites; these additional fees can lower performance and returns. The increased risk profile of the portfolios in this composite group make it suitable only for Qualified Investors.

#### C. Particular Types of Securities Recommended and Their Risks

At ValueWorks the vast majority of our investments are in US equity markets and carry the risks inherent in this type of investment; we also have meaningful exposure to high yield and junk bond bonds which may carry similar degrees of risk. We have a number of investment options and all of them have risk profiles that fairly closely approximate and track the broad US equity market, as measured by *beta* (a statistical measure of volatility) compared to the total return of the S&P 500.

Item 9      Disciplinary Information

ValueWorks is not currently, and has not been previously involved in any legal or disciplinary matters.

A. Criminal or Civil Action

N/A

B. Administrative Proceeding Before the SEC

N/A

C. A Self-regulatory Organization Proceeding

N/A

Item 10 Other Financial Industry Activities and Affiliations

A. Registration as a Broker-dealer

N/A

B. Registration as a Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Advisor

N/A

C. Relationship with Other Investment Company and Hedge Fund

ValueWorks is solely owned by Charles Lemonides. Mr. Lemonides also controls a separate entity, ValueWorks General Partners (VWGP). VWGP is the general partner of VWLP a limited partnership/hedge fund which uses ValueWorks to invest its assets. Clients of ValueWorks' separate account program may also be limited partners in VWLP.

Conflicts of interest are largely confined to favoring these performance fee investment vehicles over other investment formats. These potential conflicts are addressed and explained in Item 6, above.

D. Selection of Other Investment Advisors

ValueWorks' clients are generally referred by non-affiliated broker-dealers. Consequently, ValueWorks does not generally suggest particular brokers or brokerage firms to clients. In cases where prospective clients are not so introduced, ValueWorks may suggest a broker where we have an existing relationship. We do not take into account the value of research or other services in making those suggestions.

A. Description of Code of Ethics

A full copy of ValueWorks' Code of Ethics is available on request.

From ValueWorks' Code of Ethics:

1.1 Statement of General Principles

At ValueWorks, compliance with all applicable laws and regulations pertaining to the investment management business and high levels of ethical practice is viewed as more than a legal requirement, but also as a goal in itself, and further as a competitive asset of the firm. We take the issue of regulatory compliance seriously and we are committed to staying in compliance with federal securities laws.

ValueWorks business model is intentionally constructed to minimize potential conflicts of interest with clients and make compliance with all applicable regulations as straightforward as possible.

Violations of the letter and spirit of high ethical and compliance procedures are not expected. Any such violations will result in written reprimands maintained in a logbook along with other log records (i.e., error log, refund log, etc.). Multiple violations will result in termination.

ValueWorks requires that all supervised persons (advisory representatives and associated persons) immediately report any known or suspected violations of the Adviser's code of ethics or securities rules to the Compliance Officer, Charles Lemonides, CFA.

1.2 Fiduciary Duties

ValueWorks is a fiduciary to each and every client. The SEC takes the position that Investment Advisers owe their Clients several specific duties as fiduciaries. According to the SEC, the fiduciary duties include:

Advice that is suitable

Full disclosure of material facts and potential conflicts of interest (such that the client has complete and honest disclosure in order to make an informed decision about services of the Adviser and about investment recommendations)

Utmost and exclusive loyalty and good faith

Best execution of transactions

The Adviser's reasonable care to avoid ever misleading clients

Only acting in the best interests of clients

It is ValueWorks' policy to protect the interests of each of the Adviser's clients and to place the clients' interests first and foremost in each and every situation.

B. Practice and Conflict Regarding Recommending ValueWorks to Potential Clients

Charles Lemonides is the sole owner of ValueWorks. Because of this position his opinion regarding the suitability for clients of this investment vehicle is often sought and given, notwithstanding the fact that he—through this business—will benefit personally from their participation. This area of practice has the potential for conflicts of interest.



To the extent that ValueWorks client accounts are obtained through introductions from brokers or independent financial advisory firms brokers and advisors maintain ongoing financial service relationships with clients. Assets are held in accounts and traded at institutions where these brokers/advisors are affiliated. Because ValueWorks is involved at the request of the broker or advisor, a preliminary check of suitability is performed by a third party. This reduces the chance that ValueWorks will recommend itself inappropriately to a potential client. Further, a written statement of investment objective (questionnaire) is required when any new account is opened. From this we gain additional information about client suitability and attempt to ensure that anyone investing through a Valueworks separate account has made a documented and suitable decision for their profile.

Charles Lemonides is also the managing member of ValueWorks Capital Partners LP the general partner of VWLP which uses ValueWorks as its investment manager. Because of this position his opinion regarding the suitability of VWLP as an investment vehicle is often sought and given, notwithstanding the fact that he—through this business—will benefit personally from their participation. This area of practice has the potential for conflicts of interest.

To the extent that VWLP participation is obtained through introductions from brokers or independent financial advisory firms brokers and advisors maintain ongoing financial service relationships with clients. Because ValueWorks is involved at the request of the broker or advisor, a preliminary check of suitability is performed by a third party. This reduces the chance that ValueWorks will recommend itself inappropriately to a potential partner.

#### C. Investing in the Same Securities as Those Purchased for Clients

Personal Trading is a potential risk area for the firm, and needs to be monitored carefully.

As fiduciaries, we must put the interest of clients ahead of our own. Consequently, employees may not buy or sell securities for their own account, or for proprietary accounts of the firm (should we ever have one) before all client transactions are completed. This restriction applies to cases where we are buying or selling a particular security for a large number of our clients in a “block trade.” All transactions must be pre-approved by Charles Lemonides, and a record is kept for documenting the conformity with the spirit and intent of the regulation.

All employees must provide ValueWorks with duplicate statements and confirms for their personal securities accounts. Activity in these accounts is regularly reviewed by Charles Lemonides. The frequency of these reviews is based upon the activity level in the accounts. Highly inactive accounts are reviewed at least semi-annually. More active accounts would be reviewed as often as monthly, or more frequently if appropriate.

#### D. Investing in the Same Securities at the Same Time as Those Purchased for Clients

See Item 11.D above.

A. Description of Factors Considered in Recommending Broker-dealers

1. Research and Other Soft-Dollar Benefits

ValueWorks' clients are generally referred by non-affiliated broker-dealers. Consequently, ValueWorks does not generally suggest particular brokers or brokerage firms to clients. Assets are held in accounts and traded at institutions where these brokers/advisors are affiliated. ValueWorks uses these client-designated and client-preferred service providers until the client directs otherwise in writing. The client selection of a broker/dealer will generally limit transactions to that broker/dealer and this client preference may limit our ability to obtain best execution on client transactions.

In cases where prospective clients are not introduced by a representative of a broker-dealer, ValueWorks may suggest a broker where we have an existing relationship. We do not take into account the value of research or other services in making those suggestions; all ValueWorks research is done in-house from primary sources (corporate financial statements, court documents, SEC filings, etc).

ValueWorks has arrangements to manage accounts custodied at various discount brokerage firms such as Schwab, Fidelity and TD Waterhouse. In the capacity of manager of multiple accounts ValueWorks may be granted rights to research, online trading, and account access or views that may not be available to the average retail client. These ancillary benefits do not generally influence decisions made at ValueWorks; this is evidenced by the fact that only in-house research is used, that decisions about custodians are made by individual clients and that order rotation is set by a separate schedule.

Notwithstanding the above, it is possible that ValueWorks may have an incentive to select or recommend a broker-dealer based on an interest in receiving research or other services rather than on the clients' interest in receiving the most favorable execution.

2. Brokerage for Client Referrals

As above, ValueWorks' clients are generally referred by non-affiliated broker-dealers; when the client is introduced, they direct us to their preferred service providers.

Notwithstanding the above, it is possible that ValueWorks may have an incentive to select or recommend a broker-dealer based on an interest in receiving client referrals or other services rather than on the clients' interest in receiving the most favorable execution.

3. Directed Brokerage

ValueWorks does not recommend request or require that a client direct us to execute transactions through a specified broker-dealer. Rather, as above, we act on client instructions to use their preferred service providers.

Clients should be aware that in using the client's choice of service provider ValueWorks may be unable to achieve most favorable execution of their transactions. Directing brokerage in this way may result in the client paying higher fees than might otherwise be necessary.

B. Aggregation of Purchases and Sales

In both wrap and dual contract programs, securities for a particular account may be bought as part of larger or Bunched Order. This is as part of an effort to secure the best price and most timely execution for all client accounts. As these bunched orders are filled, securities are allocated to the individual accounts as appropriate.

Item 13      Review of Accounts

A. Periodicity of Account Review

Accounts are reviewed on an ongoing basis. Positions are generally monitored on a daily basis, and accounts are specifically reviewed at least quarterly. Each of these reviews is performed by Charles Lemonides, the firm's President and Chief Investment Officer.

B. Additional Triggers of Account Reviews

Significant contributions or withdrawals, or changes in client objectives or financial circumstances trigger individual account reviews.

C. Client Reporting

Clients receive quarterly performance reports complete with market commentary, quarterly performance, and securities holdings. For accounts that are not part of a wrap fee program, quarterly client reports also include a billing statement for the following quarter. Accounts within most wrap fee programs and select dual contract programs may receive analogous reports from the wrap fee sponsor or introducing broker instead of receiving them directly from ValueWorks.

Limited Partners in VWLP receive monthly capital balances, yearly audited financial statements and K1's. They may also receive quarterly commentary.

Item 14      *Client Referrals and Other Compensation*

A. Economic Benefits from Non-clients for Performing Services for Clients

ValueWorks does not receive any economic benefit from non-clients for providing investment services to clients.

B. Compensating Non-Clients for Client Referrals

ValueWorks sponsors wrap programs at T.D. Waterhouse and the GMS group. ValueWorks is also the investment manager of these wrap programs. Additional information on these programs should be reviewed in the relevant Form ADV 2A Appendix 1: *Wrap Fee Program Brochure* available from ValueWorks.

In addition, ValueWorks has arrangements to compensate Wedbush Morgan and American Portfolios for money raised and allocated to VWLP.

Subject to negotiation ValueWorks pays the other party to these agreements between 30% and 70% of all fees received in connection with the particular relationship.

Item 15     *Custody*

ValueWorks does not have custody of any client assets.

Item 16 Investment Discretion

As part of the portfolio management agreement and service, ValueWorks is given discretionary authority to trade securities in the clients' account. ValueWorks determines both security selection and position size based on its particular value style investment discipline, and its professional expertise and judgment regarding optimal portfolio construction. Clients may request that ValueWorks not purchase particular securities for their accounts, such as to when they already hold significant positions in outside accounts. Clients may also request transactions for tax considerations.

Item 17      Voting *Client* Securities

A. Proxy Policy

ValueWorks proxy policy is available below and upon request from ValueWorks. It is also made available annually to all clients.

In its performance of its investment management services, ValueWorks employs the following policy with respect to voting client proxies.

A. All proxy voting decisions are reached by the firm's Chief Investment Officer and Managing Member, Charles Lemonides. As ValueWorks generally employs a passive investment approach, it only exercises its proxy voting rights in limited circumstances. When reaching a decision on how to vote, and whether to vote client's proxies, ValueWorks takes into consideration the size of an individual client's position in the company, the overall position in the company held by all ValueWorks' clients, the nature of the proposed action to be taken, and the probable effect, if any, of the proposed action on the value of the client's holdings.

B. Proxy statements are individually reviewed by Mr. Lemonides for all "Core Holdings" of ValueWorks. Proxy material related to such "Core Holdings" are maintained either in hard copy files along with other material in the company's "due diligence" file or are available for review on electronic media. "Core Holdings" are defined as those constituting greater than 0.5% of the overall assets managed by ValueWorks.

Under amendments to rule 204-2 under the act with respect to record keeping requirements, Advisors are required to keep certain records regarding their proxy votes on behalf of clients. In order to fulfill this requirement, ValueWorks maintains a log to document and record how individual proxies are voted in cases where ValueWorks proactively votes client proxies. This log includes the factors considered in reaching a decision to vote proxies in a particular manner. Material factors that are perceived as offering a conflict between the client's interests and those of ValueWorks are documented to provide a basis to review and ensure that client interests' are not subrogated to the advisor's interest.

ValueWorks also maintains a log of all customer requests for proxy voting material and a copy of ValueWorks' response to that request.

B.  
N/A

Item 18 Financial Information

A. Solicited Prepayments

ValueWorks does not solicit prepayments of any amount six months or more in advance.

B. Conditions Likely to Impair Ability to Meet Contractual Obligations with Clients

ValueWorks main contractual obligations to clients are to provide investment advice and, where the relationship is terminated, to reimburse clients for the pre-payment of fees. There is no financial condition that appears reasonably likely to impair ValueWorks' ability to meet these obligations; however there are always the remote possibilities of litigation, bankruptcy, complete economic devastation, etc.

C. Bankruptcy Filings

N/A



Item 19      Requirements for State-Registered Advisers

N/A