

Part 2A Appendix 1 of Form ADV: *Wrap Fee Program Brochure*

Item 1 Cover Page

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This Wrap Fee Program 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.

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.

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Item 4 Services, Fees and Compensation

A. Description of Programs and Fees

ValueWorks sponsors two Wrap Programs: The GMS Group, L.L.C. Wrap Fee Program and The TD Ameritrade-ValueWorks Wrap Fee Program.

Participation in the program authorizes ValueWorks to actively manage an account on a discretionary basis in accordance with designated investment objectives. The cost of the program is designed to include most of the fees associated with professional management of a separate account including ValueWorks' investment advisory services, any applicable client service fees, trade execution, custody and reporting services. Participants pay a single annualized fee for participation in the Program (the "Program Fee") based upon a percentage (%) of the market value of all assets being managed under the Program as follows:

For The GMS Group, L.L.C. Wrap Fee Program

<u>Assets Under Management</u>	<u>Fee</u>
First \$250,000	2.75%
\$250,001 - \$350,000	2.50%
\$350,001 - \$750,000	2.25%
\$750,001 - \$1,250,000	2.00%
\$1,250,001 - \$4,000,000	1.75%
Over \$4,000,000	1.50%

Fees are not generally negotiable.
30% of these fees are paid to ValueWorks.

For The TD Ameritrade-ValueWorks Wrap Fee Program

<u>Assets Under Management</u>	<u>Fee</u>
\$500,000 - \$1,250,000	2.75%
\$1,250,001 - \$4,000,000	1.75%
Over \$4,000,000	1.50%

Fees are generally negotiable.
100% of these fees are paid to ValueWorks.

B. Bundled Fees

Using a wrap program bundles most of the client's fees together. Under the Program, the participant receives investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. Participation in the Program may cost the participant more or less than purchasing such services separately. In addition, the Program fee may be higher or lower than that charged by other sponsors of comparable wrap fee programs. Each Program participant should understand that in the event that the transactions for a participant's account are effected through a broker-dealer that refers investment management clients to the Registrant (i.e., GMS or TD) there exists the potential for the account(s) total expenses to be higher or lower than would be the case if the account were domiciled at a different broker-dealer.

C. Additional Fees

The participant may incur certain charges imposed by third parties in addition to the Program Fee. Such charges include but are not limited to charges imposed directly by a mutual fund held in the account, including money market, mutual funds purchased to hold cash balances (e.g. fund advisory fees and other fund expenses), IRA fees, reorganization fees and required SEC transaction fees.

D. Solicitor Compensation

A solicitor introduces a potential participant to ValueWorks with the expectation of payment if the participant takes part in the Program. ValueWorks may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. This referral fee will be paid from the Program Fee, and will not result in any additional charge to the participant. If the participant is introduced to ValueWorks by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his or her solicitor relationship, and shall provide each prospective participant with a copy of the Disclosure Statement, together with a copy of a separate written disclosure statement from the solicitor to the participant disclosing the terms of the solicitation arrangement between ValueWorks and the solicitor, including the compensation to be received by the solicitor from ValueWorks. Any affiliated solicitor of ValueWorks shall disclose the nature of his or her relationship to prospective participants at the time of the solicitation and will provide all prospective participants with a copy of the Disclosure Statement.

ValueWorks formed The GMS Group, L.L.C. Wrap Fee Program to service the investment management needs of GMS' brokerage clients. In addition to serving as the Program's broker-dealer, GMS also serves as the Program's solicitor, as a result GMS will receive a portion of the Program Fee for each of its clients that choose to participate in the Program. GMS will apply this referral fee as a credit to all brokerage fees due under the Program so that the maximum total annual compensation received by GMS under the Program (referral fee plus brokerage) for any referred client will not exceed the amount of the referral fee.

ValueWorks formed TD Ameritrade-ValueWorks Wrap Fee Program to service brokerage clients who have elected to have their account at TD Ameritrade. As a result TD Ameritrade will serve as the programs broker dealer and receive all fees associated with brokerage and custody from the Program Fee. The fees paid to TD Ameritrade will not exceed the Program Fee amount, any deficit will be paid by ValueWorks.

Item 5 Account Requirements and Types of *Clients*

The minimum account size for participation in the GMS Program is \$100,000 subject to the discretion of ValueWorks to accept lower minimum amounts or require higher minimum amounts. The minimum account size for participation in the TD Ameritrade Program is \$500,000 subject to the discretion of ValueWorks to accept lower minimum amounts or require higher minimum amounts.

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 former 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.

Item 6 Portfolio Manager Selection and Evaluation

A. Manager Review

ValueWorks serves as Investment Manager for all accts in sponsored wrap fee programs. ValueWorks can accommodate client accounts through two different account groups: Capital Appreciation and Balanced. Prior to opening an account, ValueWorks assists in determining a participant's profile for the Program by obtaining from the participant appropriate information (i.e., investment objectives, risk tolerance, and time horizon, and any reasonable restrictions the participant wishes to impose upon the management of the account). Initial investment strategy is jointly determined by Value Works and the participant based on an assessment of the information provided by the participant.

Performance calculations and reports are done in accordance with industry standards. External verification experts are employed to verify performance; the last audit was completed by Ashland Partners.

The Program account is reviewed on an ongoing and continuous basis by ValueWorks.

B. Disclosure as Portfolio Manager

ValueWorks is the manager for all accounts in the Wrap fee programs. We do not use unaffiliated managers. Clients should understand that it is generally in our interest to recommend clients use us as their manager.

C. Discussion as Portfolio Manager of Items in ADV 2A

Item 4 Advisory Business

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. These accounts are treated the same as the other non-wrap accounts included in the same composite group.

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 8 Methods of Analysis, Investment Strategies and Risk of Loss

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.

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 7 *Client* Information Provided to Portfolio Managers

VW serves as both plan sponsor and portfolio manager. We do not use unaffiliated managers. As a result, all pertinent client information is available the portfolio manager in order to allow informed decisions about the suitability of any particular investment strategy. The individual portfolio manager is informed of any changes in client circumstance as that information is obtained by ValueWorks.

Prior to opening an account, ValueWorks assists in determining a participant's profile for the Program by obtaining from the participant appropriate information (i.e., investment objectives, risk tolerance, and time horizon, and any reasonable restrictions the participant wishes to impose upon the management of the account). Initial investment strategy is jointly determined by Value Works and the participant based on an assessment of the information provided by the participant. Thereafter, it remains the participant's exclusive responsibility to advise ValueWorks of any changes to the information previously provided that might impact the ongoing suitability of any prior determined investment strategy(ies)/objective(s).

Item 8 *Client* Contact with Portfolio Managers

A Program participant is free to discuss his/her/their/its account with ValueWorks without restriction. Moreover, it remains the Program participant's obligation to advise ValueWorks of any change in the participant's financial situation and/or investment objective(s) for the purposes of re-evaluating the ongoing suitability of current investment strategy(ies) and/or to impose, add, or to modify any reasonable restrictions on ValueWorks' investment advisory services.

Item 9 Additional Information

A. Review of Items 9 and 10 in ADV2

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.

B. Review of Items 11, 14 and 18 in ADV2

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

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 also 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 will be 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.

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 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 10 Requirements for State-Registered Advisers

Review of 19.E of ADV 2A

E. Relationship to Any Issuer of Securities
N/A