Item 1

FORM ADV PART 2A Disclosure Brochure

March 27, 2013

VALICENTI ADVISORY SERVICES, INC.
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This brochure provides information about the qualifications and business practices of Valicenti Advisory Services, Inc. If you have any questions about the contents of this brochure, please contact us at 607-734-2665. 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. This brochure is not, and is not intended to be, a marketing brochure, nor is it designed to provide detailed information about all aspects of Valicenti Advisory Services, Inc.'s business.

Additional information about Valicenti Advisory Services Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

Pursuant to the "brochure rule", Valicenti Advisory Services, Inc. (VASI) periodically will update Form ADV, Part 2A. VASI is only discussing material changes since the last annual update on February 15, 2012. As of December 31, 2012 VASI managed $321,876,230 discretionary assets and $8,214,747 non-discretionary assets. The rule requires that VASI provide a written document containing the information about its services to all clients with whom the firm enters into an investment advisory contract.

This disclosure brochure contains information relating to VASI's business. This information includes types of services offered, fees, type of clients served, methods of analysis, educational and business backgrounds of management and employees connected to clients' accounts, brokers used, etc.

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Item 4: Advisory Business

VASI was founded in 1984 and is currently owned by Vincent R. Valicenti, Joseph M. Valicenti and Jeffrey S. Naylor.

VASI offers to provide its clients (individuals, business entities, trusts, estates, charitable organizations, etc.) with discretionary investment advisory services and financial planning services to the extent specifically requested by a client.

The principal business of VASI consists of furnishing investment supervisory services to clients. This activity can include the continued advice concerning investment of monies consistent with the circumstances, preferences and objective of each client. This includes an assessment of each client's objective, needs, restrictions and portfolio holdings. We attempt to structure each client's investments to coincide with these considerations.

VASI's annual investment advisory fee shall include investment advisory services, and, to the **extent specifically requested** by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of VASI), VASI may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

Financial Planning and Consulting (Stand-Alone)

To the extent requested by a client, VASI may determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis the amount of which fee shall be dependent upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging VASI to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with VASI setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to VASI commencing services. If requested by the client, VASI may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from VASI. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify VASI if there is ever any change in his/her/their/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising VASI's previous recommendations and/or services.

Miscellaneous

Non-Investment Consulting/Implementation Services. To the extent requested by the client, VASI *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither VASI, nor any of its representatives, serves as an attorney, or licensed insurance agent and no portion of VASI's services should be construed as same. To the extent requested by a client, VASI may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, insurance agents, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from VASI. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.
Please Note: Cash Positions. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being **no guarantee** that such anticipated market conditions/events will occur), VASI *may* maintain cash positions for defensive purposes. All cash positions (money markets, etc.) shall be included as part of assets under management for purposes of calculation the VASI's advisory fee. **VASI's Chief Compliance Officer, Jeffrey S. Naylor, remains available to address any questions that a client or prospective may have regarding the above fee billing practice.**

Client Obligations: In performing its services, shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon.
Please Also Note: It remains the client's responsibility to promptly notify VASI if there is ever any change in his/her/their/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising VASI's previous recommendations and/or services.

Please Note: Investment Risk. Different types of investments involve varying degrees of risk and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by VASI) will be profitable or equal any specific performance level(s).

Disclosure Statement. A copy of VASI's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement or Financial Planning and Consulting Agreement.*

VASI does not participate in wrap fee programs.

As of December 31, 2012 VASI managed $321,876,230 discretionary assets and $8,214,747 non-discretionary assets.

Item 5: Fees and Compensation

The client can determine to engage VASI to provide discretionary investment advisory services on a fee-only basis. VASI's annual investment advisory fee shall be based upon a percentage (%) of the market value of the assets placed under our management (between 0.25% and 1.00%), as set forth on the fee schedule on the *Investment Advisory Agreement* between VASI and the client. VASI's normal fee schedule is 1% of the first $500,000, 3/4 of 1% on the next $500,000, and 1/2 of 1% on the remaining balance. VASI generally requires a $500 annual minimum fee for investment advisory services. VASI, in its sole discretion, may waive and/or reduce its annual minimum fee and/or charge a lesser annual investment advisory fee based upon certain criteria (i.e. historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

Clients may elect to have VASI's advisory fees deducted from their custodial account. Both VASI's *Investment Advisory Agreement* and the custodial clearing agreement may authorize the custodian to debit the account for the amount of VASI's investment advisory fee and to directly remit that management fee to VASI in compliance with regulatory procedures. In the limited event that VASI bills the client directly, payment is due upon receipt of VASI's invoice. The *Investment Advisory Agreement* between VASI and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. VASI's annual investment advisory fee shall be prorated and paid quarterly, in arrears, based upon the market value of the assets on the last business day of the previous quarter. Upon termination, VASI shall debit the clients account for the pro-rated portion of the unpaid advisory fee based upon the number of days that services were rendered during the billing quarter.

As discussed below, unless the client directs otherwise or an individual client's circumstances require, VASI shall generally recommend that Charles Schwab and Co., Inc. ("*Schwab")* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to VASI's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). When beneficial to the client, individual fixed-income and/or equity transactions may be effected through broker-dealers with whom VASI and/or the client have entered into arrangements for prime brokerage clearing services, including effecting certain client transactions through other SEC registered and FINRA member broker-dealers (in which event, the client generally will

incur both the transaction fee charged by the executing broker-dealer and a "tradeaway" fee charged by *Schwab*).

None of VASI's supervised persons accepts compensation for the sale of securities or other investment products including asset-based sales charges or service fees from the sale of mutual funds.

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

VASI does not accept performance-based fees or manage accounts that are charged a performance-based fee.

Item 7: Types of Clients

VASI offers to provide discretionary investment advisory services and financial services to the extent specifically requested by a client. VASI provides service to individuals, banks, trusts, estates, charitable organizations, pension and profit sharing plans, corporations and business entities.

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

The process VASI uses to manage investments is complex but rational. It begins with a thorough understanding of the client's financial needs, short-term and long-term financial goals and lifestyle. Then an investment portfolio is developed to meet the goals of preservation of capital, capital appreciation and income.

As a balanced investment manager, VASI uses four investment objectives to accomplish the goals: Conservative, Moderate, Growth and Aggressive Growth. Each contains an asset mix of equities, fixed income and cash relative to the investment objective. An asset mix is comprised of a variety of security types which may include common and preferred stocks, corporate, municipal and government bonds, mutual funds, covered equity options, exchange traded funds and money markets.

VASI emphasizes the concepts of Modern Portfolio Theory. VASI uses a "top-down" approach when developing our portfolios. We first look at the current and the expected future condition of the overall economy and the interest rate environment. Then, the sectors that we believe will perform best on a risk adjusted basis are selected. Next, we identify within the chosen sectors, those industries and the companies which are expected to provide the best returns.

VASI uses a combination of technical and fundamental methods to assess risks in the capital markets.

VASI may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)

- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Short Sales (contracted sale of borrowed securities with an obligation to make the lender whole)
- Margin Transactions (use of borrowed assets to purchase financial instruments)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

Please Note: Investment Risk. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by VASI) will be profitable or equal any specific performance level(s). **Please Also Note:** Investing in securities involves risk of loss that clients should be prepared to bear.

VASI's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis VASI must have access to current/new market information. VASI has no control over the dissemination rate of market information; therefore, unbeknownst to VASI, certain analyses may be compiled with outdated market information, limiting the value of VASI's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

VASI's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, VASI may also implement and/or recommend – short selling, use of margin, and/or options transactions. Each of these strategies has a high level of inherent risk. (*See* discussion below).

Short selling is an investment strategy with a high level of inherent risk. Short selling, involves the selling of assets that the investor does not own. The investor borrows the

assets from a third party lender (i.e. Broker-Dealer) with the obligation of buying identical assets at a later date to return to the third party lender. Individuals who engage in this activity shall only profit from a decline in the price of the assets between the original date of sale and the date of repurchase. Conversely, the short seller will incur a loss if the price of the assets rises. Other costs of shorting may include a fee for borrowing the assets and payment of any dividends paid on the borrowed assets.

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. **Please Note:** To the extent that a client authorizes the use of margin, and margin is thereafter employed by VASI in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to VASI may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential ***conflict of interest*** whereby the client's decision to employ margin *may* correspondingly increase the management fee payable to VASI. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by VASI shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. **Please Note**: Although the intent of the options-related transactions that may be implemented by VASI is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct VASI, in writing, not to employ any or all such strategies for his/her/their/its accounts.

Item 9: Disciplinary Information

VASI does not have any pending legal or disciplinary events.

Item 10: Other Financial Industry Activities and Affiliations

None of VASI's management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

None of VASI's management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

VASI does not actively engage or receive compensation from any other financial activities or affiliations.

VASI does not recommend or select other investment advisers for our clients nor does VASI have any other business relationships with advisers of our clients.

Licensed Insurance Agency and Agents: Certain of VASI representatives, in their individual capacities, are licensed insurance agents of Valicenti Insurance Services, Inc., an affiliated insurance agency and may recommend the purchase of certain insurance related products on a commission basis. Clients can engage these representatives to effect insurance transactions on a commission basis.

Conflict of Interest: The recommendation by VASI's representatives that a client purchase an insurance commission product presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from VASI's representatives. Clients are reminded that they may purchase insurance products recommended by VASI and its representatives through other, non-affiliated insurance agents. **VASI's Chief Compliance Officer, Jeffrey Naylor, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

Item 11: Code of Ethics

VASI maintains an investment policy relative to personal securities transactions. This investment policy is part of VASI's overall Code of Ethics, which serves to establish a standard of business conduct for all of VASI's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, VASI also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by VASI or any person associated with VASI.

Neither VASI nor any related person of VASI recommends, buys, or sells for client accounts, securities in which VASI or any related person of VASI has a material financial interest.

VASI and/or representatives of VASI *may* buy or sell securities that are also recommended to clients. This practice may create a situation where VASI and/or

representatives of VASI are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if VASI did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of VASI's clients) and other potentially abusive practices.

VASI has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of VASI's "Access Persons". VASI's securities transaction policy requires that an Access Person of VASI must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date VASI selects; provided, however that at any time that VASI has only one Access Person, he or she shall not be required to submit any securities report described above.

VASI and/or representatives of VASI *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where VASI and/or representatives of VASI are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above, VASI has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of VASI's Access Persons.

Item 12: Brokerage Practices

In the event that the client requests that VASI recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct VASI to use a specific broker-dealer/custodian), VASI generally recommends that investment management accounts be maintained at *Schwab*. Prior to engaging VASI to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with VASI setting forth the terms and conditions under which VASI shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that VASI considers in recommending *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with VASI, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by VASI's clients shall comply with VASI's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where VASI determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the

determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although VASI will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, VASI's investment management fee. VASI's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close

Soft Dollar Arrangement: In return for effecting securities transactions through a designated broker-dealer/custodian, VASI currently receives certain investment research products or services which assist VASI in its investment decision making process for the client pursuant to Section 28(e) of the Securities Exchange Act of 1934 (generally referred to as a "soft-dollar" arrangement). Investment research products or services received by VASI may include, but are not limited to, analyses pertaining to specific securities, companies or sectors; market, financial and economic studies and forecasts, financial publications, portfolio management systems, and statistical and pricing services. Although the commissions paid by VASI's clients shall comply with their duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where VASI determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although VASI will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. Although the investment research products or services that may be obtained by VASI will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. With respect to investment research products or services obtained by VASI that have a mixed use of both a research and non-research (i.e. administrative, etc.) function, we shall make a reasonable allocation of the cost of the product or service according to its use - the percentage of the product or service that provides assistance to our investment decision-making process will be paid for with soft dollars while that portion which provides administrative or other non-research assistance will be paid for by us with hard dollars. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, our investment management fee.

Schwab Non-Soft Dollar Assistance: Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, VASI may receive, from *Schwab*, without cost (and/or at a discount) support services and/or products, certain of which assist VASI to better monitor and service client accounts maintained at such institution. Included within the support

services that may be obtained by VASI may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by VASI in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist VASI in managing and administering client accounts. Others do not directly provide such assistance, but rather assist VASI to manage and further develop its business enterprise.

VASI's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by VASI to *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

VASI's Chief Compliance Officer, Jeffrey S. Naylor, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.

VASI does not receive referrals from broker-dealers.

VASI does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and VASI will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by VASI. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

Please Note: In the event that the client directs VASI to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through VASI.

VASI's Chief Compliance Officer, Jeffrey S. Naylor, remains available to address any questions that a client or prospective client may have regarding the above arrangement.

To the extent that VASI provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless VASI decides to purchase or sell the same securities for several clients at approximately the same time. VASI may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among VASI's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. VASI shall not receive any additional compensation or remuneration as a result of such aggregation.

Item 13: Review of Accounts

For those clients to whom VASI provides investment supervisory services, account reviews are conducted on an ongoing basis by VASI's designated representatives. All investment supervisory clients are advised that it remains their responsibility to advise VASI of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with VASI on an annual basis.

Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Those clients whom VASI provides investment advisory services may also receive a written quarterly report from VASI summarizing their account activity and performance.

Item 14: Client Referrals and Other Compensation

VASI does not receive any economic benefit from anyone for providing investment advice or other advisory services to our clients.

If a client is introduced to VASI by either an unaffiliated or an affiliated solicitor, VASI 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. Any such referral fee shall be paid solely from our investment management fees and shall not result in any additional charge to the client. If the client is introduced to VASI by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of their solicitor relationship and will provide each prospective client with a copy of VASI's written disclosure brochure together with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between VASI and the solicitor, including the compensation to be received by the solicitor from VASI.

Item 15: Custody

VASI shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. VASI may also provide a written periodic report summarizing account activity and performance.

Please Note: To the extent that VASI provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by VASI with the account statements received from the account custodian. **Please Also Note**: The account custodian does not verify the accuracy of VASI's advisory fee calculation.

VASI engages in other practices and/or services on behalf of its clients that require disclosure in the Custody section of Part 1 of Form ADV, which practices and/or services are subject to an annual surprise CPA examination in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940. VASI's Chief Compliance Officer, Jeffrey S. Naylor remains available to address any questions that a client or prospective client may have regarding custody-related issues.

Item 16: Investment Discretion

The client can determine to engage VASI to provide investment advisory services on a discretionary basis. Prior to VASI assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement,* naming VASI as the client's attorney and agent in fact, granting VASI full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage VASI on a discretionary basis may, at anytime, impose restrictions, **in writing**, on VASI's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe VASI's use of margin, etc.)

Item 17: Voting Client Securities

VASI does not vote client proxies. Clients maintain exclusive responsibility for directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted.

Clients will receive their proxies or other solicitations directly from the company. Clients can contact VASI with questions about a particular solicitation however, VASI will not vote the proxies on behalf of the client.

Item 18: Financial Information

VASI does not solicit fees of more than $1,200, per client, six months or more in advance.

VASI is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.

VASI has not been the subject of a bankruptcy petition.

ANY QUESTIONS: **VASI's Chief Compliance Officer, Jeffrey Naylor, remains available to address any questions that a client or prospective client may have regarding the above Part 2A disclosures and arrangements**.