

South Valley Wealth Management
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This Brochure provides information about the qualifications and business practices of South Valley Wealth Management. If you have any questions about the contents of this Brochure, please contact us at 541-882-5488 or toll free 800-577-1773. 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.

South Valley Wealth Management is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about South Valley Wealth Management also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This item discusses only material changes since the last annual update of South Valley Wealth Management's brochure dated March 31, 2011.

Martin Ledgerwood is now the Chief Compliance Officer for the Firm.

Significant changes were made to Item 5 – Fees and Compensation. Financial planning and certain other programs that were not described in the previous brochure were added along with a description of the respective fees.

We will provide you with a new Brochure (or notice of material changes) as necessary based on amended or new information. Our Brochure is free of charge and may be requested by contacting Martin Ledgerwood, President and CCO at 541-882-5488. Our Brochure is also available free of charge on our web site at www.southvalleywealth.com.

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Item 4 – Advisory Business

South Valley Wealth Management (“SVWM” or the “Firm”), a wholly owned subsidiary of South Valley Bancorp, was established in 1984 as an independent investment firm doing business as Elliott-Ledgerwood & Co. Headquartered in Klamath Falls, Oregon, we serve clients with financial needs through full-service branches in Klamath Falls, Medford, and Bend, Oregon. South Valley Wealth Management is an SEC registered advisory firm.

Our services include wealth accumulation, wealth preservation, and wealth distribution which are customized for our individual clients. We also offer retirement planning services that utilize a selection of IRAs and employer sponsored retirement plans that accommodate a wide range of incomes, lifestyles and financial requirements. In addition, we offer consultations addressing the specific issue or issues a client has with their investment portfolio. South Valley Wealth Management will provide a detailed financial analysis and recommendations to guide toward the achievement of client objectives. Clients make the selection for the custodian of their assets which may or may not be a custodian recommended by South Valley Wealth Management. South Valley Wealth Management will limit its analysis to the specific areas the client chooses such as Cash Flow Analysis, Retirement Capital Needs Analysis, Education Funding, Estate Planning, or Insurance Review.

As of December 31, 2011, South Valley Wealth Management had \$46,833,965 assets under management for discretionary accounts and \$39,086,639 assets under management for non-discretionary accounts. South Valley Wealth Management provides discretionary investment advisory services for our affiliated company, South Valley Bank & Trust (“SVB&T”).

Item 5 – Fees and Compensation

SVWM Financial Planning Services:

SVWM offers financial planning services at a negotiable hourly or fixed rate.

SVWM Non-Discretionary Advisor Wrap-Fee Program:

SVWM offers an Advisor wrap fee program which allows clients to pay a specified fee for investment advisory services and the execution of transactions. As part of our services, we create a portfolio which may consist of individual stocks or bonds, no-load and load waived mutual funds, exchange traded funds (“ETFs”), and other eligible securities as listed in the program agreement. We tailor the client’s individual investment strategy to their specific needs and may include some or all of the previously mentioned securities.

The investment advisory fee will be charged as a percentage of assets under management and will be negotiable between .50% and 2.00% of the total value of assets held in the wrap-fee account. Accounts will be billed quarterly in advance during the first month of each quarter. The billing value is equal to the closing market value of all securities on the last business day of the quarter. The first billing cycle begins on the account inception date. The first billing is based on the account value at inception date. Clients may elect to be invoiced directly for the fees or to authorize South Valley Wealth Management to directly deduct fees from client accounts.

Investment advisory fees are subject to negotiation. The minimum account size is \$25,000 in cash or eligible securities. Assets must be held in custody at RBC Capital Markets, LLC.

The specific manner in which fees are charged by South Valley Wealth Management is established in a client’s written agreement with South Valley Wealth Management and the custodian. Either party may terminate the agreement by delivering a written notice of termination to the other party. Fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Clients may incur certain additional charges such as custodial fees, management and other charges imposed directly by a mutual fund or exchange traded fund which will be disclosed in the fund's prospectus, mark-ups and mark-downs, spreads paid to market makers, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions. These charges, fees and commissions are exclusive of and in addition to South Valley Wealth Management's investment advisory fee. South Valley Wealth Management will not receive any portion of these fees. Mutual fund 12b-1 fees are paid to the financial advisor on non-retirement accounts. For retirement accounts, the 12b-1 fees are directed to the client's account.

SVWM Non-Discretionary Program Utilizing Third Party Money Managers

SVWM provides certain clients with non-discretionary accounts that utilize the services of a third party Investment Manager. Clients sign a separate agreement with the designated Investment Manager. In addition to the fees charged by the Investment Manager, the client pays a program fee to SVWM.

The program fee is charged as a percentage of assets under management and is negotiable up to 1.50% of the total value of assets held in the account. Accounts are billed quarterly in advance during the first month of each quarter. The billing value is equal to the closing market value of all securities on the last business day of the quarter. Program fees are automatically deducted from the account unless other arrangements are made by the client in writing.

The specific manner in which fees are charged by South Valley Wealth Management is established in a client's written agreement with South Valley Wealth Management and the custodian. Either party may terminate the agreement by delivering a written notice of termination to the other party. Fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

South Valley Wealth Management's program fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment managers and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees

and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

SVWM Program for Qualified Plans and Participants

South Valley Wealth Management may also provide investment advisory services to qualified plans and participants. SVWM charges the clients a negotiable fee up to 2.0% of the account balance, accrued at the end of each month and charged in arrears. The monthly fee is deducted directly from the client's account according to the terms of the advisory agreement. The client may terminate the agreement within five days of the date of acceptance without penalty to the client. After the five-day period, either party, upon 30 days written notice to the other, may terminate the agreement.

These accounts are regulated under the Employee Retirement Income Securities Act ("ERISA"). The client is free to seek independent advice about the appropriateness of any recommendations made by SVWM.

SVWM Discretionary Program for SVB&T

South Valley Wealth Management provides discretionary investment advisory services for our affiliated company, South Valley Bank & Trust. SVWM provides active portfolio management and support services to the client (SVB&T). SVWM charges SVB&T a negotiated fee per the terms of the Investment Management Agreement.

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

South Valley Wealth Management does not charge any performance-based fees.

Item 7 – Types of Clients

South Valley Wealth Management may provide portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, trust programs, and other U.S. institutions.

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

Investing in securities involves risk of loss that clients should be prepared to bear.

South Valley Wealth Management offers financial planning, wealth management and other advisory services which may utilize various money managers. South Valley Wealth Management does not try to predict the economy's direction, time markets, or select 'winning' sectors or individual securities. When considering individual securities due to a client's initial holdings, South Valley Wealth Management assesses such securities using fundamental analysis drawing on research materials prepared by others, corporate rating services; and, as appropriate, financial newspapers, magazines and news reports.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any disciplinary or legal events that would be material to your evaluation of the firm's advisory business or the integrity of firm's management.

South Valley Wealth Management settled a customer complaint in 2006, the details of which are publicly available online at www.adviserinfo.sec.gov. Click Investment Adviser Search. Choose Investment Adviser Representative. Type in Individual CRD Number: 2696876 and press the Go button.

Item 10 – Other Financial Industry Activities and Affiliations

South Valley Wealth Management is actively engaged in a business other than giving investment advice. As a dually registered firm, South Valley Wealth Management also serves as an introducing broker-dealer.

SVWM introduces brokerage transactions to RBC Correspondent Services. In addition to brokerage services, RBC provides SVWM with valuable custodial, and recordkeeping services. SVWM may have the opportunity to receive traditional "non-cash benefits" from RBC such as customized statements, receipt of duplicate client confirmations; access to a trading desk; ability to have investment

advisory fees deducted directly from client accounts; receipt of industry communications; and perhaps discounts on business-related products. Any research received is used for the benefit of all clients.

While SVWM endeavors at all times to put the interest of the clients first as part of its fiduciary duty, clients should be aware that the receipt of any additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

IMS Capital Management employs Doug Kintzinger, who also serves as the Chairman of the Board for South Valley Bancorp, Inc. and its subsidiaries, South Valley Wealth Management and South Valley Bank & Trust. Mr. Kintzinger is currently the CEO and President of IMS Capital Management.

Potential investors are advised of this possible conflict of interest that may or may not exist before investing in IMS funds. Current clients of South Valley Wealth Management invested with IMS funds are provided with an annual disclosure for this potential conflict of interest.

Item 11 – Code of Ethics

SVWM Code of Ethics: As associates of SVWM we will: strive at all times to place the interests of our clients first, never take inappropriate advantage of our position with our clients, hold the identity of security holdings and financial circumstances of our clients as confidential, practice the principle that independence in our client's investment decision-making process is paramount, conduct ourselves in a consistent manner while avoiding any actual or potential conflicts of interest.

South Valley Wealth Management has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor distributing, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at South Valley Wealth Management must acknowledge the terms of the Code of Ethics annually, or as amended.

South Valley Wealth Management anticipates that, in appropriate circumstances,

consistent with clients' investment objectives, it will cause accounts over which South Valley Wealth Management has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which South Valley Wealth Management, its affiliates and/or clients, directly or indirectly, have a position of interest. South Valley Wealth Management's employees and persons associated with South Valley Wealth Management are required to follow South Valley Wealth Management's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of South Valley Wealth Management and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for South Valley Wealth Management's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of South Valley Wealth Management will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. In addition, clients are contacted or good faith efforts are made to contact clients prior to any transaction(s) taking place in advisor accounts or any related family member accounts. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between South Valley Wealth Management and its clients.

South Valley Wealth Management's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Martin Ledgerwood at 541-882-5488.

It is South Valley Wealth Management's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. South Valley Wealth Management will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the

transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Item 12 – Brokerage Practices

Advisor and Third Party Manager Programs

SVWM utilizes RBC Correspondent Services, at rates competitive to those available to non-affiliated brokerage firms. SVWM does not share in any of the commissions generated. Trades are usually directed to RBC Correspondent Services, which provides research information used with individual securities. Not all advisers require their clients to direct brokerage. No agreement exists regarding the amount of total commissions directed to RBC Correspondent Services by SVB&T.

For certain programs, other qualified custodians are used as directed by the client or required by the program.

SVWM has no written or verbal arrangements whereby it receives soft dollars.

Item 13 – Review of Accounts

Individual financial advisors of SVWM review accounts with the client at least on an annual basis. More frequent reviews of the accounts, transactions and holdings are performed throughout the year as part of the monitoring and advisory services.

At least quarterly, clients receive statements and portfolio reviews. Portfolio reviews include a portfolio summary, asset allocation, portfolio changes, total return performance, current holdings and realized gain/loss detail. Reviews are generated by RBC Correspondent Services and mailed by SVWM. Custodial statements are sent directly to the client by RBC Correspondent Services.

At least annually, SVWM reviews the portfolios for each SVB&T client account and provides SVB&T with investment commentaries. Quarterly, SVWM provides statistical information regarding investment results for each managed investment objective model portfolio. SVWM also annually reviews appropriate risk measures to support compliance with the Oregon Prudent Investor Act and

provides a statistical analysis for each model portfolio. Annual reviews are generated on a staggered monthly basis assigned by SVB&T (the client).

Item 14 – *Client* Referrals and Other Compensation

- A. There is no entity or individual providing an economic benefit to our firm for providing investment advice or other advisory services to our clients.
- B. Our firm does not compensate any unassociated person for client referrals.

Item 15 – Custody

SVWM does not take custody of client funds or securities. Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. South Valley Wealth Management urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

South Valley Wealth Management provides discretionary investment advisory services for our affiliated company, South Valley Bank & Trust ("SVB&T") per the terms of an Investment Management Agreement between the two entities.

Regarding all other clients, South Valley Wealth Management usually receives authority from the client at the outset of a transaction or advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such authority is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, South Valley Wealth Management observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, South Valley Wealth Management's authority to trade securities may also be limited by certain

federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to South Valley Wealth Management in writing.

Item 17 – Voting *Client* Securities

SVWM acts as an investment advisor for various clients, including clients governed by the Employee Retirement Income Act of 1974 (ERISA). Upon execution of the Client Agreement, the client assumes the responsibility for voting all proxies solicited by issuers of securities held in the account. SVWM neither votes proxies for clients, nor provides advice to clients about how to vote proxies.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about South Valley Wealth Management's financial condition. South Valley Wealth Management has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.