

**Schedule F of
Form ADV**

Continuation Sheet for Form ADV Part II

Applicant:

Valley Wealth, Inc.

SEC File Number:

801-

Date:

03/07/2008

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:

Valley Wealth, Inc.

IRS Empl. Ident. No.:

Item of Form
(identify)

Answer

Item 1D

ADVISORY SERVICES AND FEES

Valley Wealth, Inc. (hereinafter "VWI") is a corporation, formed under the laws of the State of California, and registered with the Securities and Exchange Commission as an investment adviser. VWI offers investment advisory services to individuals, pensions and profit sharing plans, trusts, estates, charitable organizations, corporations or other organizations. This Schedule F narrative provides clients with information regarding VWI and the qualifications, business practices, and nature of advisory services that should be considered before becoming an advisory client of the Firm.

Please contact Jeff Burrow, President, Secretary & Chief Compliance Officer or Jason Gordo, CEO & Treasurer if you have any questions about this Schedule F narrative. Additional information about VWI is available on the Internet at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for VWI is 146324.

Individuals associated with VWI will provide its investment advisory services. These individuals are appropriately licensed, qualified, and authorized to provide advisory services on behalf of the Firm. Such individuals are known as Investment Advisor Representatives (IARs).

DESCRIPTION OF SERVICES PROVIDED***Portfolio Management***

VWI provides discretionary and non-discretionary portfolio management services where the investment advice provided is custom tailored to meet the individualized needs and investment objectives of the client. Subject to any written guidelines, which the client may provide, the Firm may be granted the discretion and authority to manage the account by the client. Accordingly, VWI is authorized to perform various functions, at the client's expense, without further approval from the client. Such functions include the determination of securities to be purchased/sold and the amount of securities to be purchased/sold. Once the portfolio is constructed, VWI provides continuous supervision of the portfolio as changes in market conditions and client circumstances may require.

VWI will work with its clients to identify their investment goals and objectives as well as risk tolerance in order to create an initial portfolio allocation designed to complement their clients' educational, home ownership and retirement funding goals and objectives etc. VWI may create a portfolio, consisting of individual stocks and/or bonds; no-load funds and/or load-waived funds (front-end commissions will not be charged).

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Item 1D
(Continued)

Each portfolio will be initially designed to meet a particular investment goal, which VWI has determined to be suitable to the client's circumstances. Once the appropriate portfolio has been determined, VWI will review the portfolio at least quarterly and if necessary, suggest to the client that rebalancing take place, based upon the client's individual needs, stated goals and objectives. However, each client will have the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. VWI's strategy, generally, will be to seek to meet client investment objectives while providing clients with access to personal advisory services on at least an annual basis, or more often, depending upon prior agreement.

VWI has six managed portfolio account types to choose from. These managed portfolio account types are named: STOCK LIMIT-25, STOCK LIMIT-45, STOCK LIMIT-65, STOCK LIMIT-85, STOCK LIMIT-100, and STOCK LIMIT-120.

STOCK LIMIT-25: This portfolio is designed for our clients that are most concerned with preserving their principle and keeping up with inflation. The "25" in the title refers to the amount of the portfolio that would be invested in equities (aka, the Stock Market). This is an excellent alternative to those investors that prefer Certificates of Deposit (CDs) – our portfolio is not insured, but we hope to earn a better rate of return than a 1 Year CD, while taking the least amount of risk possible.

STOCK LIMIT-45: This is a moderately conservative portfolio that is one notch higher in risk than the Stock Limit™ 25. It is designed for our clients that want to take a modest amount of income from the portfolio, while keeping their purchasing power. The volatility with the Stock Limit™ 45 will be greater than in the Stock Limit™ 25, because this portfolio has about 45% of its assets invested in equities (aka, the Stock Market). Losses year-over-year would be seldom in the Stock Limit™ 45.

STOCK LIMIT-65: This is a moderate risk, balanced portfolio that is one notch higher in risk than the Stock Limit™ 45. It is designed for clients that want to take income from the portfolio and still grow their bottom line asset level. The volatility with the Stock Limit™ 65 will be greater than in the Stock Limit™ 45, because this portfolio has about 65% of its assets invested in equities (aka, the Stock Market). Losses year-over-year would occur occasionally in the Stock Limit™ 65.

STOCK LIMIT-85: A moderately aggressive portfolio that is one notch higher in risk than the Stock Limit™ 65. It is designed for clients that want to grow their wealth and do not have a need for current portfolio income. The volatility with the Stock Limit™ 85 will be greater than in the Stock Limit™ 65, because this portfolio has about 85% of its assets invested in equities (aka, the Stock Market). Losses year-over-year would occur more frequently than

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Item 1D
(continued)

in the Stock Limit™ 65.

STOCK LIMIT-100: This is an aggressive portfolio and is one notch higher in risk than the Stock Limit™ 85. It is designed for clients that want to aggressively grow their wealth and have a high tolerance for risk. The volatility with the Stock Limit™ 100 will be greater than in the Stock Limit™ 85, because this portfolio has 100% of its assets invested in equities (aka, the Stock Market). Losses year-over-year would occur more frequently than in the Stock Limit™ 85.

STOCK LIMIT-120: This is our most aggressive tactical portfolio and is one notch higher in risk than the Stock Limit™ 100. It is designed for clients that want to use leverage and other advanced techniques to aggressively grow their wealth. The volatility in the Stock Limit™ 120 will be greater than in the Stock Limit™ 100, because through leverage this portfolio exposes 120% of its assets to equities (aka, the Stock Market). Losses year-over-year, including in consecutive years, could occur often.

FEE SCHEDULE: Portfolio Management For Managed Accounts

<u>Assets Under Management</u>	<u>Annual Fee</u>	<u>Quarterly Fee</u>
\$0 to \$500,000	1.50%	0.3750%
\$500,001 to \$1,000,000	1.25%	0.3125%
\$1,000,001 to \$2,000,000	1.00%	0.2250%
\$2,000,000 to \$3,000,000	0.75%	0.1875%
\$3,000,000+	0.50%	0.1250%

Transaction fees are generally assessed as incurred. VWI's asset management fee shall be pro-rated and paid in arrears on a quarterly basis. All fees are negotiable and charged against the balance in the Client's account on the last day of the previous calendar quarter. Fees are pro-rated for the first quarter of management. VWI reserve the right to waive or reduce the advisory fee for clients primarily in cash positions.

In cases where a Client begins a relationship with the Advisor for investment advisory services after the beginning of a quarter, then the advisory fees will be assessed on a pro-rata basis for the total number of days remaining in that quarter.

No increase in the annual fee shall be effective without prior written notification to the Client.

FEE SCHEDULE: Performance Fee for Managed Accounts

Performance fees are generally assessed as incurred. VWI's annual performance fee is 0.50% which amounts to 0.125% quarterly. In addition,

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Item 1D (continued)

VWI charges 20% of the Client account gains greater than the S&P 500. VWI's asset management performance fee shall be pro-rated and paid in arrears on a quarterly basis. All fees are negotiable and charged against the balance in the Client's account on the last day of the previous calendar quarter. Performance fees are pro-rated for the first quarter of management. VWI reserve the right to waive or reduce the performance fee for clients primarily in cash positions.

DESCRIPTION OF SERVICES PROVIDED***Valley Wealth Retirement Plan Services, Inc.***

VWI's Retirement Plan Services' clients receive well-documented and well-benchmarked information on the costs, services and investments of the plan, together with specific recommendations for reducing expenses, increasing plan participation, and limiting fiduciary liability. VWI offers a complete and detailed review of the plan, including total plan costs, vendor services, investment options, fiduciary procedures, and other relevant issues.

VWI provides vendor search and replacement, investment architecture & fund selection, ongoing investment & vendor monitoring, ongoing support for participants and internal plan staff, and strategic consulting and participant education/advice.

FEE SCHEDULE: Retirement Planning Services

Assets under Management	Annual Fee
Up to 1,000,000	1.00%
1,000,001 - 2,000,000	.50%
2,000,001 - 3,000,000	.35%
3,000,001 +	.25%

VWI's asset management fee for Retirement Plan Services shall be pro-rated and paid in arrears on a quarterly basis. In addition to the fee schedule published above, VWI may provide separately assessed, "a la carte" services for a fixed fee within the \$250-1000 range, depending on the nature and complexity of the service provided. VWI may also provide Retirement Plan Services for an hourly rate of \$250/hr. VWI reserves the right to negotiate its fees.

Item 1D (continued)
& Item 13A**Selection, Recommendation, Due Diligence, Performance Reporting Of
Third Party Advisory Services**

In order to assist the client in the selection of a Third Party Advisory Service, Advisor will typically gather information from the clients about the client's financial situation, investment objectives, and reasonable restrictions the

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Item 1D (continued)
& Item 13A

clients wants imposed on the management of the account. Advisor will not offer advice on any specific securities or other investments in connection with this service.

Advisor will periodically review reports provided to the clients. The Investment Advisory Representatives of Advisor will contact the client periodically, as agreed to with the clients, in order to review the client's financial situation and objectives; communicate information to the Third Party Advisory Service managing the account as warranted; and, assist the clients in understanding and evaluating the services provided by the Third Party Advisory Service. Clients will be expected to notify Advisor of any changes in their financial situation, investment objectives, or account restrictions. Clients may also contact directly the Third Party Adviser managing the account or sponsoring the program.

A complete description of the programs and services available through the Third Party Advisory Services will be provided to the Client upon receipt and review of the applicable Third Party Advisory Service's Form ADV Part II, Disclosure Brochures and/or equivalent brochures; investment advisory contracts; and account opening documents. Clients may sign an advisory agreement or solicitation disclosure statement with Advisor and will also sign an advisory agreement directly with the Third Party Advisory Service selected. Advisor receives a percentage of assets from third party money managers for acting as a solicitor.

Advisor makes every reasonable attempt to ensure that any investment advisers that the firm selects or recommends to clients are properly licensed or exempt from registration.

Item 1D

Financial Planning

Additionally VWI may provide clients with a one-time financial plan or ongoing financial consultation fees. VWI will generally charge a negotiable fixed fee ranging from \$1,500 to \$10,000 the total of which is dependent upon the level and scope of these services. The entire planning fee or anticipated consulting fee shall be due upon the execution of the Financial Planning or Consulting Agreement. The Client's financial plan or consultation shall be rendered to the Client within ninety days of the execution of the agreement.

VWI's fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. The fixed fees are determined after considering many factors, such as the level and scope of the services, and the client's net worth. Alternatively, VWI may provide services based on an hourly basis, which is generally \$250 per hour.

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Item 1D

The fee-paying arrangements for fixed and/or hourly charges will be determined on a case-by-case basis and will be detailed in the signed agreement for services. The client will be invoiced directly for the fixed or hourly fees.

ADDITIONAL INFORMATION CONCERNING FEES

In certain circumstances, advisory fees may be negotiable based upon prior relationships as well as related account holdings. The fees charged are calculated as described above and are not charged on the basis of a share of capital gains or capital appreciation of the funds or any portion of the funds of an advisory client. Pursuant to California Code of Regulations, 10 CCR Section 260.238(j), VWI hereby discloses that Clients may receive the same or comparable services from other Financial Advisors at a lower fee.

All fees paid to VWI for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. Such fees will generally include a management fee, other fund expenses and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge.

A client could invest in a mutual fund directly, without the services of VWI. In that case, the client would not receive the services provided by VWI which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to the client's financial condition and objectives. Accordingly, the clients should review both the fees charged by the funds and the fees charged by VWI to fully understand the total amount of fees to be paid by the clients and to thereby evaluate the advisory services being provided.

Upon client's written authorization, fees will be automatically deducted from the account. Clients will be provided with a quarterly statement reflecting deduction of the advisory fee.

Clients can terminate, without penalty, VWI's Agreement within five (5) business days. Thereafter, Clients will receive, where applicable, a prorated refund of any prepaid advisory fees. Such prorated refund will be based upon

actual services and termination costs incurred up to and at the time of termination of VWI's services.

Pursuant to California Code of Regulations, 10 CCR Section 260.238(k), VWI discloses that it may utilize various firms for the execution of securities transactions, to custody assets or place insurance transactions. Advisor hereby discloses that Advisor is not, but Advisor's representatives may be insurance agents/brokers with various insurance companies. These companies pay their

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Answer

Item 1D (continued)

representatives a commission for the sale of their products. As such, a conflict of interest exists in the sale of insurance products.

Item 5

EDUCATION AND BUSINESS STANDARDS

All individuals that render investment advisory services on behalf of VWI shall have attained all required investment-related licenses and/or designations.

Item 6

PERSONAL EDUCATIONAL AND BUSINESS BACKGROUND**Jeffrey Scott Burrow – Born 1977****Education:**

Bachelor of Arts, UC Santa Barbara, 1999

Licensing:

Series 7 - 03/2000, Series 31 - 04/2000, Series 66 - 04/2000

Past Five Years of Business Experience

03/2008 to Present, Valley Wealth, Inc., Turlock, CA-President, Secretary and Chief Compliance Officer

02/2005 to 03/2008- Citigroup Global Markets, Inc., Modesto CA-

12/1999-02/2005- Dean Witter Reynolds, Inc., Modesto, CA-

Jason Michael Gordo – Born 1974**Education:**

Bachelor of Science in Business, University of Pheonix

Associate of Arts, Modesto Junior College

Licensing:

Series 7 - 07/2001, Series 63 - 08/2001, Series 65 - 08/2001

Past Five Years of Business Experience

03/2008 to Present- Valley Wealth, Inc., Turlock, CA-CEO & Treasurer

05/2001 to 03/2008- Citigroup Global Markets, Inc., Modesto CA-

Items 7A& B

OTHER FINANCIAL ACTIVITIES OR AFFILIATIONS

Messrs. Burrow and Gordo are licensed insurance agents/brokers with various insurance companies/agencies. They may receive the normal commissions for insurance sales in their separate roles as insurance agents/brokers.

Item 9E
& Miscellaneous**PARTICIPATION OR INTEREST IN CLIENTS
TRANSACTIONS/CODE OF ETHICS**

VWI and/or its representatives may recommend to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest. VWI may as a broker or agent effect securities transactions for compensation for any client. VWI may buy or sell for their personal account(s) investment products identical to those recommended to clients. It is the expressed policy of VWI that neither VWI,

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Answer

Item 9E
& Miscellaneous
(continued)

nor its representatives may purchase or sell any individual stock or bond prior to a transaction(s) being implemented for an advisory account. This policy is meant to prevent VWI and/or its representatives from benefiting as a result of transactions placed on behalf of advisory accounts.

VWI has established the following restrictions in order to ensure its fiduciary responsibilities to clients are met:

- 1) Advisors' representatives shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by their role as an Investment Advisory Representative of VWI, unless the information is also available to the investing public on reasonable inquiry. In no case, shall VWIs' representatives prefer their own interest to that of their advisory clients. (1) (2)
- 2) VWI emphasizes the unrestricted right of its clients to decline to implement any advice rendered.
- 3) VWI recognizes it must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.

Footnotes

(1) This investment policy has been established recognizing that some securities being considered for purchase and sale on behalf of VWIs' clients trade in sufficiently broad markets to permit transactions by clients to be completed without an appreciable impact on the markets of the securities. Under certain circumstances, exceptions may be made to the policies stated above. Records of these trades, including the reasons for the exceptions, will be maintained with VWIs' records in the manner set forth above.

(2) Open-end mutual funds and/or the investment sub-accounts which may comprise a variable insurance product are purchased or redeemed at a fixed net asset value price per share specific to the date of purchase or redemption. As such, transactions in mutual funds and/or variable insurance products by VWI are not likely to have an impact on the prices of the fund shares in which clients invest, and are therefore not prohibited by VWI's Investment policies and procedures.

Miscellaneous

INSIDER TRADING

In accordance with Section 204A of the Investment Advisors Act of 1940, VWI also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by VWI.

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Miscellaneous	<u>PRIVACY STATEMENT</u> VWI is committed to safeguarding the confidential information of its clients and holds all personal information provided to it in the strictest confidence. These records include all personal information that VWI collects from its clients or receives from other firms in connection with any of the financial services they provide. VWI also requires other firms with whom they deal to restrict the use of client's information. VWI's Privacy Policy is available upon client's engagement of the firm's services or by prior request of the clients.
Miscellaneous	<u>PROXY VOTING</u> VWI will not vote proxies on behalf of clients.
Item 10	<u>MINIMUM ACCOUNT SIZE</u> VWI generally requires clients to maintain a minimum account size of at least \$250,000.
Items 12A1,2	<u>INVESTMENT OR BROKERAGE DISCRETION</u> VWI generally has discretion on client accounts to determine the specific securities to be purchased or sold as well the amount of securities to be purchased or sold.
Items 12B & 13A	<u>SUGGESTION OF BROKERS/ADDITIONAL COMPENSATION</u> VWI may execute or recommend that clients execute their securities transactions through various firms including, but not limited to broker-dealers such as the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, Member FINRA/SIPC, to maintain custody of clients' assets and to effect trades for their accounts. VWI is independently owned and operated and not affiliated with Schwab. Schwab provides VWI with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Institutional, <i>and are not otherwise contingent upon Advisor committing to Schwab any specific amount of business (assets in custody or trading)</i> . Schwab's services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or require a significantly higher minimum initial investment. For VWI's client accounts maintained in its custody, Schwab

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Answer

Items 12B & 13A
(Continued)

generally does not charge separately for custody but is compensated by account holders through commissions, transaction-related or asset based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Item 13A

Schwab also makes available to VWI other products and services that benefit VWI but may not benefit its clients' accounts. Some of these other products and services assist VWI in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of VWI's fees from its clients' accounts, and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of VWI's accounts, including accounts not maintained at Schwab Institutional.

Schwab Institutional also makes available to VWI other services intended to help VWI manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services rendered to VWI by independent third parties. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to VWI. While as a fiduciary, VWI endeavors to act in its clients' best interests, VWI's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to VWI of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

Schwab has provided a loan to Advisor to assist its business operations, and the loan is guaranteed by Jason M. Gordo and Jeffrey S. Burrow, principals of Advisor. The terms of the loan require that management fees to Advisor be paid to an account at Schwab for deduction of interest and principal payments pursuant to the loan before Advisor may have access to that fee payment. The loan agreement contains various representations by Advisor, including that it will maintain \$75 million in assets under management, and various events of default, including that Advisor will comply with all laws, contracts, licenses and permits. In the event of an unheeded default under the terms of the loan agreement, Schwab may terminate and/or accelerate the loan, which may have a material adverse effect on the Advisor's ability to perform services for you.

Some of the products, services and other benefits provided by Schwab,

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Item 13A (continued)

including the Schwab Institutional Business Loan noted above, benefit Advisor and may not benefit Advisor's client accounts. Advisor's recommendation/requirement that a client place assets in Schwab's custody may be based in part on benefits Schwab provides to Advisor, and not solely on the nature, cost or quality of custody and execution services provided by Schwab.

Advisor places trades for its clients' accounts subject to its duty to seek best execution and its other fiduciary duties. Advisor may use broker-dealers other than Schwab to execute trades for client accounts maintained at Schwab, but this practice may result in additional costs to clients so that Advisor is more likely to place trades through Schwab rather than other broker-dealers. Schwab's execution quality may be different than other broker-dealers.