

## **Sheavly Financial Group, Inc.**

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### **Firm Form ADV Part 2A, Appendix 1: Wrap Fee Program Brochure**

Sheavly Financial Group, Inc. is an investment adviser registered with the Securities and Exchange Commission (hereinafter "SEC"). An "investment adviser" means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

This Wrap Fee program brochure provides information about the qualifications and business practices of Sheavly Financial Group, Inc. If you have any questions about the contents of this brochure, please contact us at (757) 340-7006. 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 Sheavly Financial Group, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### **Services Fees and Compensation - Item 4**

Sheavly Financial Group, Inc. (hereinafter "SFG") offers a Wrap Fee program ("Program") whereby the Firm manages Client accounts for a single fee that includes portfolio management services, custodial services and the transaction/commission costs. Under this Program, SFG offers discretionary investment advice designed to assist Clients in obtaining professional asset management for a convenient single "Wrap Fee."

SFG, as portfolio manager is responsible for the research, security selection and implementation of transaction orders in the Client's account. The transactions in the Client's account will be executed by TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade"). SFG receives a portion of the Wrap Fee for portfolio management services. TD Ameritrade will also receive a portion of the fee for trade execution expenses. The terms and conditions under which a Client participates in SFG's Wrap Fee program will be set forth in a written agreement between the Client and SFG. The overall cost incurred from participation in our Wrap Fee program may be higher or lower than if the services were purchased separately.

Wrap accounts are managed to diversify Client's investments and may include various types of securities such as equity securities, Exchange Traded Funds (ETFs), corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company products and U.S. Government securities. Other types of investments may also be recommended where the firm deems such investments appropriate based on the Client's stated goals and objectives.

Investments and allocations are determined and based upon the Clients predefined objectives, risk tolerance, time horizon, financial horizon, financial information, and other various suitability factors. Further restrictions and guidelines imposed by Clients may affect the composition and performance of a Client's portfolio. For these reasons, performance of the portfolio may not be identical with the average Client of SFG. On an ongoing basis, SFG reviews the Client's financial circumstances and investment objectives and makes any adjustments to the Client's portfolio as may be necessary to achieve the desired results.

Our Wrap Fee accounts are discretionary, that is, once the portfolio allocation has been agreed upon, the ongoing supervision and management of the portfolio will be our responsibility. This authority is granted to us by you in a written agreement. This allows our Firm to decide on specific securities, the quantity of the securities and placing buy or sell orders for your account without obtaining your approval for each transaction. This type of authorization is granted using either the investment advisory agreement the Client signs with our Firm, a limited power of attorney agreement, or trading authorization forms.

SFG offers a unique product line where asset allocation models are developed and managed based on research and analysis conducted by SFG. Once the Client portfolio is constructed, SFG provides continuous supervision of the portfolio as changes in the market conditions and Client circumstances may require. Clients may limit the firm's discretionary authority if they wish, by, for example, setting a limit on the type of securities that can be purchased for their account. All such restrictions must be provided in writing.

### **Program Fee**

SFG charges a single asset-based fee for advisory services, which includes the cost of portfolio management services, custodial services and the execution of securities transactions. The annual fee for the SFG Wrap Fee Program is billed quarterly in arrears based on the market value of the assets on the last day of the quarter. Fees will be assessed pro rata in the event the portfolio management agreement is executed at any time other than the first day of a calendar quarter.

The Client pays one fee to SFG. This fee is deducted from the Client's account held at TD Ameritrade. The Client authorizes SFG to debit the fee from the Client's account. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance. Our fee for portfolio management services is set forth in the following fee schedule:

<b>Portfolio Size</b>	<b>Annualized Fee</b>
\$0 to \$500,000	1.00%
\$500,001 to \$1,000,000	0.90%
\$1,000,001 to \$1,500,000	0.80%
\$1,500,001 to \$2,000,000	0.70%
Accounts over \$2,000,000	0.60%

Generally, SFG allows related accounts to be combined for fee paying purposes. We combine the account valuations to assist you in meeting fee breakpoints and therefore lowering the overall fee level. SFG extends this option to accounts residing in the same household and certain members of the same family.

In determining whether to establish a Program account, a Client should be aware that the overall cost to the Client of the Program may be higher or lower than the Client might incur by purchasing separately the types of securities available in the Program. In order to compare the cost of the Program with unbundled services, the Client should consider the turnover rate in SFG's investment strategies, trading activity in the account and standard advisory fees and brokerage commissions that would be charged at TD Ameritrade, or at other broker-dealers and investment advisers.

### **Additional Fees and Expenses**

The fees are charged as described above and are not based on a share of capital gains of the funds of an advisory Client.

All fees paid to SFG for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees 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 SFG. In that case, the Client would not receive the services provided by SFG which are designed, among other things, to assist the Client in determining which mutual fund or funds are most appropriate to each Client's financial condition and objectives. Accordingly, the Client should review both the fees charged by the funds and the fees charged by SFG to fully understand the total amount of fees to be paid by the Client and to thereby evaluate the advisory services being provided.

There may be other costs assessed, which are not included in the Program Fee, such as national securities exchange fees; charges for transactions with respect to assets not executed through the custodian, costs associated with exchanging currencies; wire transfer fees; or other fees required by law.

### **Termination**

The agreement between SFG and the Client will continue in effect until either party terminates in accordance with the terms of the agreement. SFG's annual fee will be pro-rated through the date of termination. Refunds are generally not applicable as fees are payable in arrears. However, in the event there are any prepaid unearned fees, SFG will return a pro rata share to the Client.

Upon termination of accounts held at TD Ameritrade, TD Ameritrade delivers securities and funds held in the account as instructed by Client, unless Client requests that the account be liquidated. After the Agreement has been terminated, transactions are processed at the prevailing brokerage rates. Client becomes responsible for monitoring their own assets and SFG has no further obligation to act or provide advice with respect to those assets.

### **TD Ameritrade Institutional Advisor Program**

SFG participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. SFG receives some benefits from TD Ameritrade through its participation in the Program.

There is no direct link between SFG's participation in the program and the investment advice it gives to its Clients, although SFG receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving SFG participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have SFG's fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to SFG by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by SFG's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit SFG but may not benefit its Client accounts. These products or services may assist SFG in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help SFG manage and further develop its business enterprise. The benefits received by SFG or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, SFG endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by SFG or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the SFG's choice of TD Ameritrade for custody and brokerage services.

### **Account Requirements and Types of Clients - Item 5**

We offer investment advisory services to individuals, pension and profit sharing plan participants, trusts, estates, charitable organizations, corporations, and other business entities.

SFG requires a minimum of \$50,000 to open and maintain an advisory account. At our sole discretion we may waive this requirement. This requirement can be met by combining two or more accounts owned by you or related family members.

### **Portfolio Manager Selection and Evaluation - Item 6**

#### **Advisory Business**

Currently, we offer the following investment advisory services, personalized to each individual Client:

#### **Advisory Consulting Services**

SFG provides general consulting services that focus on the specific needs and concerns of the Client. Consulting services may include giving advice on investment and investment related matters. These services include the identification of financial goals and objectives, collection and assessment of all relevant data, identification of financial problems and formulation of solutions, and the preparation of a written or verbal financial plans. The services we provide will typically focus on one or more of the following areas:

- **Retirement Planning:**  
Retirement Planning is a process of determining retirement income goals and the actions and decisions necessary to achieve those goals. Retirement planning includes identifying sources of income, estimating expenses, implementing a savings program and managing assets. Future cash flows are estimated to determine if the retirement income goal will be achieved.
- **Tax Planning:**  
The goal of tax planning is to arrange the Client's financial affairs so as to minimize taxes. There are three basic ways to reduce your taxes, and each basic method might have several variations. Clients may reduce their income, increase their deductions, and take advantage of tax credits.
- **Investment Planning:**  
The goal of investment planning is to determine the investment mix and policy, matching investments to objectives, asset allocation for individuals and institutions, and balancing risk against performance. The process realizes strengths, weaknesses, opportunities and risks in the choice of debt vs. equity, domestic vs. international, growth vs. safety, and many other tradeoffs encountered in the attempt to maximize return at a given risk.

Financial plans are based on the Client's financial situation and the financial information provided to our firm. If the Client's financial situation, goals, objectives, or needs change, the Client must notify us promptly.

Clients may choose to accept or reject our recommendations. Clients who decide to proceed with our recommendations, may do so either through our firm or by using the advisory/brokerage firm of their choice.

#### **Performance Based Fees - Side by Side Management**

We and our Associated Persons do not accept performance based fees. Performance based fees are based on a share of capital gains on or capital appreciation of the Client's assets.

### **Methods of Analysis**

The following are different methods of analysis that we may use when providing you with investment advice:

- Charting – charting is a technique that attempts to forecast future market moves by studying historical data on charts.
- Fundamental Analysis – fundamental analysis is a technique that attempts to determine a security's value by focusing on underlying factors that affect a company's actual business and its future prospects. The term refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements.
- Technical Analysis – technical analysis is a technique that relies on the assumption that current market data (such as charts of price, volume, and open interest) can help predict future market trends, at least in the short term. It assumes that market psychology influences trading and can predict when stocks will rise or fall.
- Cyclical Analysis – cyclical analysis is a technique that looks at cycles, specifically analyzing the way prices follow certain patterns and trends.

### **Investment Strategies**

We may use one or more of the following investment strategies when advising you on investments:

- Long Term Purchases – securities held for over a year.
- Short Term Purchases – securities held for less than a year.

### **Risk of Loss**

The investment advice provided along with the strategies suggested by SFG will vary depending on each Client's specific financial situation and goals. This brief statement does not disclose all of the risks and other significant aspects of investing in financial markets. In light of the risks, you should fully understand the nature of the contractual relationship(s) into which you are entering and the extent of your exposure to risk. Certain investing strategies may not be suitable for many members of the public. You should carefully consider whether the strategies employed will be appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

Certain investment strategies may utilize concentrated investments. Concentrated portfolios generally hold the securities of a limited number of companies and, therefore, may be more volatile because the risk specific to each company may represent a larger portion of assets. It is likely that the performance of these portfolios will differ significantly from that of the broad equity market.

### **Voting of Client Securities - Proxy Voting**

Unless the Client designates otherwise, SFG votes proxies for securities over which it maintains discretionary authority consistent with its proxy voting policy. In accordance with SEC Rule 206(4)-6, SFG has established the following policies and procedures:

#### ***Voting on Mutual Fund Shares***

a. Funds recommended by SFG:

- SFG monitors the activity of funds it recommends to Clients.
- SFG will review the issues on a case-by-case basis and vote proxies when the proxies are delivered to SFG or when a Client requests information on how to vote. The primary purpose and fiduciary responsibility of SFG in voting proxies is to maximize shareholder value.
- SFG does not vote proxies that are based solely on social issues.

b. Funds in Client portfolios that were not recommended by SFG:

- SFG due diligence on funds not recommended by us is limited to performance review relative to peers.
- In the case where we recommend other funds in a fund family, but not the specific fund requiring voting, we will make recommendations based on our knowledge of general issues and procedural changes common to funds we do recommend.

***Voting on Equity Securities***

a. For individual equities we have directly recommended, we review the issues on a case-by-case basis to determine how to vote, with the knowledge that the primary purpose and fiduciary responsibility of SFG in voting proxies is to maximize shareholder value.

b. When Clients request advice on proxy voting for shares of stock in their portfolios that SFG has not recommended, we will review the material provided by the Client and educate the Client on the issues involved. It is the Client's responsibility to understand the issues and to vote the shares.

***Records of Proxy Votes***

SFG maintains a separate file recording the history of all proxy votes. Clients may obtain, free of charge, a record of how SFG voted proxy issues on their behalf by submitting a written request or calling us at (757) 340-7006.

***Conflicts of Interest***

a. Should a conflict of interest exist between SFG and Client(s) regarding the outcome of certain proxy votes, SFG is committed to resolving the conflict in the best interest of Clients before it votes the proxy in question. SFG may take any of the following courses of action to resolve the conflict:

- Disclose the conflict to Clients and obtain consent before voting
- Suggest that Client(s) engage another party to determine how the proxy should be voted
- Vote according to the recommendation of an independent third party, such as a proxy consultant, research analyst, proxy voting department of a mutual fund or pension fund, or compliance consultant.

Clients may direct a proxy vote at any time by calling or writing to us to inform us of their desired vote. A copy of SFG's proxy voting policy is available upon request.

**Client Information Provided to Portfolio Managers - Item 7**

Since SFG and its Associated Persons are the sole portfolio managers to the Program, we do not provide information about our Clients to other portfolio managers.

### **Confidentiality**

SFG views protecting its customers' private information as a top priority and, pursuant to the requirements of the Gramm-Leach-Bliley Act, the Firm has instituted policies and procedures to ensure that customer information is kept private and secure.

SFG does not disclose any nonpublic personal information about its customers or former customers to any nonaffiliated third parties, except as permitted by law. In the course of servicing a Client account, SFG may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers.

SFG restricts internal access to nonpublic personal information about its Clients to those employees who need to know that information in order to provide products or services to the Client. SFG maintains physical and procedural safeguards that comply with state and federal standards to guard a Client's nonpublic personal information and ensure its integrity and confidentiality. As emphasized above, it has always been and will always be the Firm's policy never to sell information about current or former customers or their accounts to anyone. It is also the Firm's policy not to share information unless required to process a transaction, at the request of the Client, or as required by law.

A copy of the Firm's privacy policy notice will be provided to each Client prior to, or contemporaneously with, the execution of the advisory agreement. Thereafter, the Firm will deliver a copy of the current privacy policy notice to its Clients on an annual basis. If you have any questions on this policy, please contact us.

### **Client Contact with Portfolio Managers - Item 8**

SFG and its Associated Persons are the sole portfolio managers to the Program. Clients are free to contact us at any time. Our primary contact regarding questions about the Program is William Harold Sheavly, President. Clients may contact him at (757) 340-7006.

### **Additional Information - Item 9**

#### **Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. There is no history of material legal or disciplinary events by our Firm or our management persons.

#### **Other Financial Industry Activities and Affiliations**

Executive officers and other Associated Persons of SFG may be separately licensed as insurance agents and may effect transactions in insurance products for their Clients and earn commissions for these activities. The Firm expects that Clients to whom it offers advisory services may also be Clients for whom these individuals act as insurance agents. Clients are instructed that the fees paid to the Firm for advisory services are separate and distinct from the commissions earned by its IARs for placing the Client in insurance products. Clients to whom the Firm offers advisory services are informed that they are under no obligation to use the Firm's IARs for insurance services and may use the insurance brokerage Firm and agent of their choosing.

#### **Description of Our Code of Ethics**

SFG has adopted a Code of Ethics (the “Code”) to address investment advisory conduct. The Code focuses primarily on fiduciary duty, personal securities transactions, insider trading, gifts, and conflicts of interest. The Code includes SFG’s policies and procedures developed to protect Client’s interests in relation to the following topics:

- The duty at all times to place the interests of Clients first;
- The requirement that all personal securities transactions be conducted in such a manner as to be consistent with the code of ethics.
- The responsibility to avoid any actual or potential conflict of interest or misuse of an employee’s position of trust and responsibility;
- The fiduciary principle that information concerning the identity of security holdings and financial circumstances of Clients is confidential; and
- The principle that independence in the investment decision-making process is paramount.

Clients who would like to receive a copy of SFG’s Code of Ethics, may contact Karrie Ann Thomas, CCO at (757) 340-7006.

#### **Personal Trading Practices**

At times SFG and/or its Advisory Representatives may take positions in the same securities as Clients, which may pose a conflict of interest with Clients. SFG and its Advisory Representatives will generally be “last in” and “last out” for the trading day when trading occurs in close proximity to Client trades. We will not violate our fiduciary responsibilities to our Clients. Front running (trading shortly ahead of Clients) is prohibited. Should a conflict occur because of materiality (i.e. a thinly traded stock), disclosure will be made to the Client(s) at the time of trading. Incidental trading not deemed to be a conflict (i.e. a purchase or sale which is minimal in relation to the total outstanding value, and as such would have negligible effect on the market price), would not be disclosed at the time of trading.

#### **Review of Accounts**

SFG monitors the individual investments within SFG’s portfolio management programs on a continuous basis. Portfolio performance is reviewed, at a minimum, on a quarterly basis. SFG offers portfolio management Clients an in-person portfolio review meeting on an annual basis. Material market, economic, or political events, or changes in a Client’s financial circumstances, may trigger more frequent reviews.

The account reviews are performed by William H. Sheavly, President and Karrie A. Thomas, Chief Compliance Officer.

Clients will receive statements directly from their account custodian(s) on at least a quarterly basis. This statement will show total portfolio value and the securities holdings and activity in the account.

#### **Client Referrals and Other Compensation**

We do not receive economic benefits from third parties in exchange for providing investment advice or other advisory services to our Clients.

We and our related persons do not compensate, either directly or indirectly, any person or entity who is not our supervised person for Client referrals.

### **Financial Information**

We are required in this Item to provide you with certain financial information or disclosures about SFG's, financial condition. SFG does not require the prepayment of over \$1,200, six or more months in advance. Additionally, SFG 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.

### **Requirements for State-Registered Advisors - Item 10**

**This section is intentionally left blank- Our Firm is SEC registered**

### **Miscellaneous**

#### **Trade Aggregation**

While individual Client advice is provided to each account, Client trades may be executed as a block trade. SFG encourages its existing and new Clients to use TD Ameritrade. Only accounts in the custody of TD Ameritrade would have the opportunity to participate in aggregated securities transactions. All trades using TD Ameritrade will be aggregated and done in the name SFG. The executing broker will be informed that the trades are for the account of SFG's Clients and not for SFG itself. No advisory account within the block trade will be favored over any other advisory account, and thus, each account will participate in an aggregated order at the average share price and receive the same commission rate. The aggregation should, on average, reduce slightly the costs of execution, and SFG will not aggregate a Client's order if in a particular instance SFG believes that aggregation would cause the Client's cost of execution to be increased. TD Ameritrade will be notified of the amount of each trade for each account. SFG and/or its Advisory Representatives may participate in block trades with Clients, and may also participate on a pro rata basis for partial fills, but only after the determination has been made that Clients will receive fair and equitable treatment.

#### **Class Action Lawsuits**

From time to time, securities held in the accounts of Clients will be the subject of class action lawsuits. SFG has no obligation to determine if securities held by the Client are subject to a pending or resolved class action lawsuit. It also has no duty to evaluate a Client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, the Firm has no obligation or responsibility to initiate litigation to recover damages on behalf of Clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by Clients.

Where the Firm receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a Client, it will forward all notices, proof of claim forms, and other materials, to the Client. Electronic mail is acceptable where appropriate, and the Client has authorized contact in this manner.

#### **Trade Error Correction Procedures**

On infrequent occasions, an error may be made in a Client account. For example, a security may be erroneously purchased for the account instead of sold. In these situations, the Firm generally seeks to

rectify the error by placing the Client account in a similar position as it would have been had there been no error. Depending on the circumstances, various corrective steps may be taken, including among others canceling the trade or adjusting an allocation. Any losses resulting from error correction will be placed in SFG's error correction account. Any gains resulting from error correction will be credited to the Client's account.