

**DISCLOSURE STATEMENT**  
**SHERRILL & HUTCHINS FINANCIAL ADVISORY, INC.**  
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The date of this Disclosure Statement is June 17, 2009. This Disclosure Statement is delivered in accordance with the Investment Advisers Act of 1940. The information disclosed within has not been approved or verified by the Securities and Exchange Commission. This Disclosure Statement provides information about Sherrill & Hutchins Financial Advisory, Inc. (SHFA) and the nature of its financial planning and investment supervisory services. SHFA is required to provide each client and prospective client with this Disclosure Statement within 48 hours prior to entering into any written or oral investment advisory contract. Clients may, however, upon request, terminate the contract without charge within five business days after signing. SHFA will also provide clients with copies of this Disclosure Statement whenever requested or whenever material amendments are made.

**I. Advisory Services and Fees** – Sherrill & Hutchins Financial Advisory, Inc. (“SHFA”) provides investment management services and financial planning services to its clients.

Investment Management Services

At the beginning of the relationship, SHFA meets with the new client, gathers information, performs research and analysis as necessary, and then prepares a report for the client, outlining a recommended plan for the investment portfolio. During this process the investment objectives of the investment portfolio are established and recorded. These objectives are reviewed with the client from time to time.

SHFA’s approach is to help each client individually establish and then meet specific goals, while staying within the risk tolerance level indicated by each client. SHFA accomplishes this by spending focused time with each client, obtaining and analyzing client information, and discussing alternative ideas with the client.

SHFA further assists its clients in implementing their investment plans by managing portfolios, most often on a discretionary basis. Under such an arrangement, SHFA has the authority to supervise and direct the portfolio without prior consultation with the client. SHFA utilizes primarily mutual funds to construct a portfolio most suitable to meet the client’s goals and objectives, within the client’s individual risk tolerance. Each client’s portfolio is treated individually, with specific consideration given to each decision made on its behalf. For these and other reasons, performance of portfolios within the same investment objective may differ and clients should not expect that the performance of their portfolios would be identical with the average client of SHFA.

Either party may terminate the Management Agreement upon thirty (30) days’ written notice. In the event of termination, any paid but unearned fees will be promptly refunded to the client, and any fees due to SHFA from the client will be invoiced and considered payable.

All fees paid to SHFA for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds (described in each fund’s prospectus) to their shareholders. These fees will generally include a management fee and other expenses. If the fund also imposes a sales charge, a client could pay an initial or deferred sales charge. Fees paid to SHFA are exclusive of all custodial and transaction costs paid to account custodian, brokers or other third party consultants. The client should review all fees charged by mutual funds, SHFA and others to fully understand the total amount of fees to be paid by the client.

The standard minimum quarterly fee for investment management services is \$1,000. Financial planning services offered by SHFA are made available at no additional charge to investment management clients.

Fees are calculated based on a percentage of assets under management. The annual fee schedule for investment management services is as follows:

First \$250,000 under management:	1.25% per year
Next \$250,000 under management:	1.00% per year
Next \$2,000,000 under management:	0.65% per year
Next \$5,000,000 under management:	0.40% per year
Balance over \$7,500,000 under management:	0.20% per year

The initial billing for the investment management service includes a pro-rata fee for the balance of the current quarter based on any cash flow of at least \$5,000 into or out of a managed account. Thereafter, the client receives an invoice at the beginning of each billing quarter. Billing dates are March 1, June 1, September 1, and December 1. Fees are billed in advance on a quarterly basis, based on the value of the portfolio at the close of the previous quarter. Fees may be negotiable depending on particular requirements and circumstances of the account.

When amounts of at least \$5,000 are deposited or withdrawn in a managed account in between our regular billing cycles, a pro-rata management fee is calculated and added to or deducted from the client's fee for the following quarter. This pro-rata fee is determined by dividing the number of days remaining in the billing quarter (from the date of the transaction) by the total days in the billing quarter, multiplying this ratio by the additional amount deposited or withdrawn, and multiplying the resulting number by the quarterly management percentage, based on the rates listed above.

The firm's sole compensation for the investment management service is from the fees charged to clients. No commissions or other monetary compensation, direct or indirect, are received from the investment product suppliers or other parties used in connection with this service.

#### Financial Planning Services

SHFA may furnish investment analysis and advice through consultations on an hourly basis, which would be billed at the rate of \$250 per hour.

SHFA also consults with clients regarding other more general financial planning topics. This financial planning service is provided on an hourly basis, which would be billed at the rate of \$250 per hour.

Financial planning services evaluate specific areas to develop financial strategies tailored to fit the needs of the client. These areas may include the client's assets and liabilities, cash-flow, insurance coverage, retirement planning, education planning, estate planning, and investment planning. Clients may utilize some or all of SHFA financial planning services. These areas and other relevant factors are discussed with the client to develop an assessment of the client's current and long-term financial needs. Major emphasis is placed on identifying goals, assessing progress toward reaching those goals, and developing strategies for achieving those objectives. If requested by the client, continuing services may include, but are not limited to, reviewing and updating the client's written plan on a periodic basis to update the analysis and to determine if additional or alternative strategies need to be employed by the client.

- II. Types of Clients** – SHFA provides its services to individuals, pension and profit sharing plans, trusts, estates, corporations, non-incorporated businesses, and not-for-profit organizations.
- III. Types of Investments** – SHFA offers advice regarding exchange-listed equity securities, securities traded over-the-counter, corporate debt securities, certificates of deposit, fixed and variable life insurance contracts, variable annuities, mutual funds, and U.S. government securities.
- IV. Methods of Analysis, Sources of Information, and Investment Strategies**
  - A. Analysis: SHFA utilizes fundamental analysis.
  - B. Sources of Information: SHFA obtains information and data from various sources, such as Morningstar, *The Wall Street Journal*, *Barron's*, *Forbes*, Federal Reserve Bank of Atlanta's *Economic Review*, *No-Load Fund Investor*, *Financial Planning*, as well as annual reports and prospectuses.
  - C. Strategies: SHFA employs a strategy of utilizing primarily a well-diversified array of no-load mutual funds. Depending on the needs of the client and the performance of the particular investment, SHFA may utilize a long-term purchase strategy (securities held at least a year) or a short-term purchase strategy (securities held less than a year). SHFA does not utilize trading (securities sold within 30 days), short sales, margin transactions, or option writing strategies.
- V. Education and Business Standards** – Persons associated with SHFA must have adequate credentials in the form of an appropriate college degree, professional designation, or a minimum of two years of work experience in their respective fields.

**VI. Education and Business Background** – SHFA’s Investment Policy Committee is comprised of Thomas B. Sherrill, William F. Hutchins, Jr., Roger T. Harmon, Richard L. Walsman, Barbara J. Wiley, Jessica Sherrill De Souza, and Theodore L. Noble.

Thomas B. Sherrill (birthdate September 30, 1946) has served as President of SHFA since September 1984. Mr. Sherrill holds a B.A. from Georgia State University, an M.A. from the University of Virginia, and the CERTIFIED FINANCIAL PLANNER™ designation from the International Board of Standards and Practice for Certified Financial Planners (IBCFP).

William F. Hutchins, Jr. (birthdate April 13, 1950) has served as Vice President of SHFA since September 1984. Mr. Hutchins holds a BSMGT from Georgia Institute of Technology and the CERTIFIED FINANCIAL PLANNER™ designation from the IBCFP.

Richard L. Walsman (birthdate March 28, 1933) has been associated with SHFA since September 1990. He holds a B.S. degree from Indiana University and has attended the University of Wisconsin’s Graduate School of Banking and Harvard University’s Bank Officer’s School. Prior to joining SHFA, Mr. Walsman served from 1987 to 1990 as Director of Portfolio Management for Ronald Blue & Company, Atlanta, Georgia.

Roger T. Harmon (birthdate March 11, 1949) has been associated with SHFA since February 1997. Mr. Harmon holds a BSBA from the University of Florida and the CERTIFIED FINANCIAL PLANNER™ designation from the IBCFP.

Barbara J. Wiley (birthdate February 27, 1952) has been associated with SHFA since August 1999. Mrs. Wiley holds a B.B.A. from the University of Wisconsin, an M.S. degree from Georgia State University, and the CERTIFIED FINANCIAL PLANNER™ designation from the IBCFP.

Jessica Sherrill De Souza (birthdate November 21, 1973) has been associated with SHFA since August 1999. Mrs. Sherrill De Souza holds a BBA from Georgia State University and the CERTIFIED FINANCIAL PLANNER™ designation from the IBCFP.

Theodore L. Noble (birthdate January 8, 1970) has been associated with SHFA since October 2000. Mr. Noble holds a BSBA from Berry College and the CERTIFIED FINANCIAL PLANNER™ designation from the IBCFP.

**VII. Other Business Activities** – SHFA’s only business activity is the providing of investment advice, and the provision of investment advice is the principal business of the executive officers of the firm.

**VIII. Other Financial Industry Activities or Affiliations** - None.

**IX. Participation or Interest in Client Transactions** – SHFA has adopted a Code of Ethics in the interest of complying with all applicable laws and regulations governing its practice, as well as establishing professional standards under which its employees or other affiliated persons (hereinafter “associated persons”) are to conduct themselves. These guidelines state the company’s desire and effort to protect client interests at all times and to demonstrate the Company’s commitment to its fiduciary duties of honesty, good faith, and fair dealing with clients. As a part of the Code of Ethics, separate policies and procedures regarding personal trading are in effect for the associated persons of SHFA.

The Code of Ethics is available to any client or prospective client upon request.

SHFA, its employees or other affiliated persons (hereinafter “associated persons”) may, for their personal accounts, buy or sell securities identical to those recommended to clients. Additionally, any associated person(s) may have an interest or position in a certain security or securities which may also be recommended to a client. As these situations may represent a potential conflict of interest, SHFA has established policies governing personal securities transactions in order to protect the interests of its clients. For example, SHFA has a policy prohibiting the use of material, non-public information. In addition, all associated persons with access to investment recommendations are required to make quarterly reports to an appropriate person of SHFA. In every instance, client interests are to be considered before the interests of any associated person’s trading activities.

The full trading policy is available for review upon request.

**X. Conditions for Managing Accounts** – The standard minimum quarterly fee for investment management services is \$1,000. Financial planning services offered by SHFA are made available at no additional charge to those investment management clients

**XI. Review of Accounts** – Clients who have contracted for ongoing financial planning services receive annual reviews, if they so desire. However, if a client's circumstances dictate, the client's situation will be reviewed on a more frequent basis. Investment management clients' accounts are reviewed for asset allocation rebalancing purposes at least once in a twelve month period, or more frequently if an investment holding is changed, if money flows into or out of an account, if a client's circumstances change, or if external events warrant a more frequent rebalancing. As a part of the overall investment management program, there is a monthly review of the investments used in clients' accounts. Periodic review of the goals and circumstances of investment management clients are conducted as often as necessary. Clients are encouraged to have such reviews on at least an annual basis. There is no set minimum or maximum number of accounts assigned to reviewers. Financial planning and investment management reviews may involve one to two CERTIFIED FINANCIAL PLANNER™ practitioners. Account custodians are responsible for providing monthly or quarterly account statements which reflect the positions (and current pricing) in each account as well as transactions in each account, including fees paid from an account. Account custodians also provide prompt confirmation of all trading activity, and year-end tax statements, such as 1099 forms. In addition, SHFA provides a quarterly report for each client. This report generally includes a summary of portfolio holdings, performance, and asset allocation. Other reports are available as needed or as requested by the client.

**XII. Investment or Brokerage Discretion** – In its investment management service, SHFA has the authority, without specific client consent, to buy and sell securities and to determine what amount of securities to buy and sell. Accounts are typically custodied at Charles Schwab & Co., Inc. A special fee schedule has been negotiated for client accounts. Schwab is used in order to have access to a wide array of no-load mutual funds. SHFA has the authority to determine, without obtaining specific client consent, the broker or dealer to be used.

Directed Brokerage. Clients may direct SHFA to use a particular broker for custodial or transaction services on behalf of the client's portfolio. In directed brokerage arrangements the client is responsible for negotiating the commission rates and other fees to be paid to the broker. Accordingly, a client who directs brokerage should consider whether such designation may result in certain costs or disadvantages to the client, either because the client may pay higher commissions or obtain less favorable execution, or the designation limits the investment options available to the client.

The arrangements that SHFA has with Schwab are designed to maximize efficiency and to be cost effective. By directing brokerage arrangements, the client acknowledges that these economies of scale and levels of efficiency are generally compromised when alternative broker/dealers are used. While every effort is made to treat every client equally, the fact that a client chooses to use the brokerage and/or custodial services of these alternative service providers may in fact result in a certain degree of delay in executing trades and otherwise effectively managing the account(s).

Before a client account can be set up at a different broker or dealer, the client would be required to execute an application form for the new broker or dealer. In addition, before funds from a client account can be transferred to a new broker or dealer, the client would be required to specifically authorize such a transfer of funds.

**XIII. Proxy Voting** - It is the policy of Sherrill & Hutchins Financial Advisory, Inc. (SHFA) to not vote proxies as a service to their clients. Assets that are managed by SHFA are a select list of mutual funds and generally do not require proxy voting. This select list has been compiled by careful study, not only of the funds themselves, but also of the managers who oversee the mutual funds. SHFA has selected these funds and managers with the best interest of their clients in mind. In the event a proxy vote is required for client assets managed by SHFA, SHFA will review the issue(s) presented to shareholders. SHFA generally recommends to its clients that if a proxy vote is posed for their assets that are under the management of SHFA, the client vote with management on the issue. If SHFA decides that a vote with management is not in the best interest of its clients, then SHFA will normally attempt to communicate to their clients the SHFA evaluation regarding the vote in question. SHFA may also have discretion over certain assets that, though discretionary in nature, are not considered managed by SHFA. SHFA likewise does not vote proxies for such assets.

**XIV. Additional Compensation – Brokerage Relationships:** SHFA normally recommends that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, Member SIPC/NYSE, to maintain custody of clients' assets and to effect trades for their accounts. While there is no direct link between the investment advice given and SHFA's utilization of the institutional services of Schwab, economic benefits are normally received. Schwab Institutional provides SHFA with access to its institutional trading and operations services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors at no charge to them so long as a total of at least \$10 million of the advisor's clients' account assets are maintained at Schwab Institutional. Schwab Institutional's services include

research, brokerage, custody, access to mutual funds and other investments that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment. Schwab Institutional also makes available to SHFA other products and services that benefit SHFA but may not benefit its clients' accounts. Some of these other products and services assist SHFA in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as duplicate client confirmations and duplicate account statements) and client order entry, provide research, pricing information and other market data, and provide the ability to have investment advisory fees deducted directly from client accounts. In addition, Schwab Institutional assists with back-office support, recordkeeping, client reporting, and provides access to a trading desk serving advisor participants exclusively and through which trade execution is facilitated (including block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts). Many of these services generally may be used to service all or a substantial number of SHFA's accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional may also provide SHFA with other services intended to help SHFA manage and further develop its business enterprise. These services may include consulting, publications and presentations 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 to SHFA 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 SHFA. The availability to SHFA of the foregoing products and services is not contingent upon SHFA committing to Schwab Institutional any specific amount of business (assets in custody or trading).

For accounts of SHFA's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from SHFA's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealers' fees. Thus, SHFA may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. SHFA nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for SHFA's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

Previously SHFA participated in the Schwab Advisor Network (SAN), a Schwab service designed to help investors find an independent investment advisor. SHFA received investor referrals from SAN. SHFA has paid an ongoing fee to Schwab, which is a percentage of the fee paid by clients referred to SHFA by SAN. Due to the provisions of the SAN agreement between SHFA and Schwab, SHFA has a continuing obligation to remit fee payments to Schwab for those client accounts that resulted from referrals from SAN and which are still under SHFA management. SHFA does not charge clients referred through SAN fees or costs greater than the fees or costs SHFA charges clients with similar portfolios who were not referred by SAN. SHFA is no longer participating in the SAN and is no longer receiving client referrals from Schwab.

SHFA has entered into separate agreements with Donner Weiser & Associates, P.C., Hungeling Financial Group, Inc., and Laney, Boteler & Killinger, firms that are independent from and unaffiliated with SHFA. These firms may make referrals to SHFA. SHFA has agreed to compensate the referring firm after a referral becomes an investment management client. SHFA has agreed not to charge such referred clients fees or costs greater than the fees or costs SHFA charges its advisory clients who were not referred by one of these organizations. This referral arrangement may raise potential conflicts of interest. SHFA may refer clients to Donner Weiser & Associates, P.C., Hungeling Financial Group, Inc., or Laney, Boteler & Killinger, but SHFA receives no compensation for such referrals.

- XV. Balance Sheet** – A balance sheet is not required to be provided. SHFA does not require prepayment of more than \$500 in fees per client and six or more months in advance.