

Sheavly Financial Group, Inc.

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May 30, 2012

Form ADV Part 2A Brochure

Sheavly Financial Group, Inc. is an investment adviser registered with the Virginia Division of Securities and Retail Franchising. 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 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.

Material Changes - Item 2

On May 2, 2012 we amended our form ADV Part 2A to disclose the following:

1. We updated our cover page to disclose our registration with the Virginia Division of Securities and Retail Franchising;
2. We updated Item 5 of our ADV to disclose our procedure for invoicing clients; and
3. We revised Item 19 of our brochure to disclose certain information required by state registered investment advisers.

We review and update our brochure at least annually to make sure that it remains current.

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Advisory Business - Item 4

Sheavly Financial Group, Inc. (hereinafter "SFG") is a registered investment advisor based in Virginia Beach, Virginia. We are a Sub-Chapter S Corporation under the laws of the Commonwealth of Virginia. We have been providing investment advisory services since 2011. William Harold Sheavly is the President and principal owner of SFG.

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

- **Advisory Consulting Services**
- **Portfolio Management Services-Wrap Program**

The following paragraphs describe what we do and what we charge. Each investment advisory service is listed below and describes how we tailor our advisory services to your individual needs. Also, you may see the term Associated Person throughout this Brochure. As used in this Brochure, this term refers to anyone from our firm who is an officer, employee, and all individuals providing investment advice on behalf of our firm. Such persons are properly registered as investment adviser representatives in all required jurisdictions.

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 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.

Portfolio Management Services-Wrap Program

SFG is the portfolio manager and sponsor of a wrap fee program. A wrap fee program combines portfolio management, advisory services and trade execution for a single 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.

Assets Under Management

As of February 16, 2012, we manage approximately \$26,600,000 in assets on a discretionary basis.

Fees and Compensation - Item 5

SFG charges fees based on a percentage of assets under management and hourly fees for its advisory services.

Advisory Consulting Services Fees

Where a Client decides to engage SFG for consulting services, there will be an hourly fee of \$250. The fee is negotiable depending on the nature, complexity and time involved in providing the Client with the requested services.

If the Client engages SFG for additional investment advisory services, SFG may offset all or a portion of its fees for those services based upon the amount paid for the consulting services.

Prior to engaging SFG to provide consulting services, the Client will generally be required to enter into a written agreement with the firm. The agreement will set forth the terms and conditions of the engagement and describe the scope of the services to be provided and the portion of the fee that is due from the Client. Generally, SFG requires a deposit for the first hour of service with the remaining balance due upon completion of the agreed upon services. Either party may terminate the agreement by written notice to the other. In the event the Client terminates SFG's consulting services, the fee will be pro-rated through the date of termination and any remaining balance will be charged or refunded to the Client.

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.

Compensation for the Sale of Investment Products

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. This situation creates a conflict of interest since we may have an incentive to recommend insurance products based on the compensation received, rather than on our client's needs. Clients are instructed that the fees paid to the firm for advisory services are separate and distinct from the commissions earned by its Associated Persons for placing the Client in insurance products. Clients to whom the firm offers advisory services are informed that they are under no obligation to obtain insurance services from the firm's Associated Persons and may use the insurance brokerage firm and agent of their choice.

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

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.

Types of Clients - Item 7

We offer investment advisory services to individuals, high net worth individuals and charitable organizations.

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.

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

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.

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.

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.

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

General Investment Risk: All investments come with the risk of losing money. Investing involves substantial risks, including complete possible loss of principal plus other losses and may not be suitable for many members of the public. Investments, unlike savings and checking accounts at a bank, are not insured by the government to protect against market losses. Different market instruments carry different types and degrees of risk and you should familiarize yourself with the risks involved in the particular market instruments you intend to invest in.

Loss of Value: There can be no assurance that a specific investment will achieve its investment objectives and past performance should not be seen as a guide to future returns. The value of investments and the income derived may fall as well as rise and investors may not recoup the original amount invested. Investments may also be affected by any changes in exchange control regulation, tax laws, withholding taxes, international, political and economic developments, and government, economic or monetary policies.

Interest Rate Risk: Fixed income securities and funds that invest in bonds and other fixed income securities may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, and their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes.

Credit Risk: Investments in bonds and other fixed income securities are subject to the risk that the issuer(s) may not make required interest payments. An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security may also offset the security's liquidity, making it more difficult to sell. Funds investing in lower quality debt securities are more susceptible to these problems and their value may be more volatile.

Disciplinary Information - Item 9

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 - Item 10

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 Associated Persons for placing the Client in insurance products. Clients to whom the firm offers advisory services are informed that they are under no obligation to obtain insurance services from the firm's Associated Persons and may use the insurance brokerage firm and agent of their choosing.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading - Item 11

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, Chief Compliance Officer ("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.

Brokerage Practices - Item 12

For SFG's portfolio management programs we recommend and request Clients to implement trades and maintain custody of assets through discount brokers. We will recommend the services of TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade"). TD Ameritrade is a member of the Financial Industry Regulatory Authority ("FINRA"), the Securities Investor Protection Corporation ("SIPC") and the National Futures Association ("NFA").

TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. 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.

Research and Other Soft Dollar Benefits

Although not considered "soft dollar" compensation, we receive benefits from TD Ameritrade in the form of reports, software, and institutional trading support. We do not have to produce or pay for such research, products or services.

SFG participates in TD Ameritrade's institutional customer program and SFG may recommend TD Ameritrade to Clients for custody and brokerage services. 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 advisory 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.

SFG may receive succession planning, practice valuation, and equity management services from third-party vendors through SFG's participation in the TD Ameritrade Institutional Equity Management Program. In addition to meeting the minimum eligibility criteria for participation in the TD Ameritrade

Institutional Equity Management Program, SFG may have been selected to participate in the TD Ameritrade Institutional Equity Management Program based on the amount and potential profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade.

TD Ameritrade is a discount broker-dealer independent of and unaffiliated with SFG and there is no employee or agency relationship between TD Ameritrade and SFG. TD Ameritrade has established the TD Ameritrade Institutional Equity Management Program as a means of assisting independent unaffiliated Advisors to grow and maintain their respective investment advisory business. TD Ameritrade does not supervise SFG and has no responsibility for SFG's management of client portfolios or SFG's other advice or services to clients.

SFG's participation in the TD Ameritrade Institutional Equity Management Program raises potential conflicts of interest. SFG may encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to participate in the TD Ameritrade Institutional Equity Management Program, SFG may have an incentive to recommend to clients that the assets under management by SFG be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. SFG's participation in the TD Ameritrade Institutional Equity Management Program does not relieve the SFG of the duty to seek best execution of trades for client accounts.

In selecting a broker dealer based on discretionary authority, SFG will endeavor to select those brokers or dealers that will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on several factors, including the broker's ability to provide professional services, competitive commission rates, volume discounts, execution price negotiations, the broker's reputation, experience and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions.

Best execution is not measured solely by reference to commission rates. Paying a broker a higher commission rate than another broker might charge is permissible if the difference in cost is reasonably justified by the quality of the brokerage services offered. In addition, SFG may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our clients' interest in receiving most favorable execution.

Brokerage for Client Referrals

We do not receive Client referrals from broker-dealers and custodians in which we have an institutional advisory arrangement. Also, we do not receive other benefits from a broker-dealer in exchange for Client referrals.

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 Associated Persons 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.

Directed Brokerage

Clients participating in our Wrap Program will be required to execute transactions with TD Ameritrade Institutional, a division of TD Ameritrade, Inc. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. 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. Please see the "Research and Other Soft Dollar Benefits" above for more information about these additional benefits. 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. SFG has developed policies and procedures that address such conflicts and require the firm to conduct periodic best execution reviews.

Not all investment advisers require clients to direct transactions to a single broker dealer or custodian, however, due to the nature of portfolio management services offered to our clients, we reserve the right to reject a new account if the client is unwilling or unable to open an account with TD Ameritrade.

Review of Accounts - Item 13

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. SFG will also send an invoice showing the amount of the fee, the asset valuation used to calculate the fee, and how the fee was calculated.

Client Referrals and Other Compensation - Item 14

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.

Custody - Item 15

SFG is deemed to have custody of Client funds solely because of the fee deduction authority granted by the Client in the investment advisory agreement.

Clients will receive account statements at least quarterly from the broker-dealer or other qualified custodian. SFG will also send an invoice showing the amount of the fee, the asset valuation used to calculate the fee, and how the fee was calculated. Clients are urged to review custodial account statements for accuracy.

Investment Discretion - Item 16

SFG offers Portfolio Management Services to its advisory Clients on a discretionary basis. Clients must grant the firm discretionary authority in the Client advisory agreement. Discretionary authority extends to the type and amount of securities to be bought and sold, and does not require advance Client approval.

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. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.

Voting Client Securities - Item 17

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.

Financial Information - Item 18

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 \$500, 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 19

Principal Executive Officers and Management Persons

William H. Sheavly, CFP®

Year of birth: 1953

Formal education after high school:

- Virginia Commonwealth University, Bachelor of Science, 1975
- Catonsville Community College, Associate of Arts with Honors, 1973

Business background for the previous five years:

- Sheavly Financial Group, Inc., President, 11/1991 – Present.
- American Portfolios Financial Services, Inc., Registered Representative, 06/2005 to 04/2011.
- American Portfolio Advisors, Inc., Investment Adviser Representative, 07/2005 to 04/2011.

Karrie Ann Thomas

Year of birth: 1970

Formal education after high school:

- Old Dominion University, Bachelors Degree, Finance, 2004

- Tidewater Community College, Associates in Science, 2002

Business background for the previous five years:

- Sheavly Financial Group, Inc., Office Manager (01/2001 – 08/2005) and Chief Compliance Officer.
- American Portfolios Financial Services, Inc., Registered Representative, 08/2005 to 04/2011.
- American Portfolio Advisors, Inc., Investment Adviser Representative, 03/2007 to 04/2011.

Outside Business Activities

SFG is not actively engaged in any other business.

Performance Based Fees

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.

Disciplinary Information

Our firm and our management persons have not been involved in any reportable disciplinary events.

Other Relationships or Arrangements With Issuers of Securities

Our firm and our related persons do not have any relationships or arrangements with any issuer of securities.

Miscellaneous

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.

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 Karrie Ann Thomas, CCO at (757) 340-7006.

Sheavly Financial Group, Inc.

324 Southport Circle, Suite 103

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Phone: (757) 340-7006

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www.sheavlyfinancial.com

May 30, 2012

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

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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.

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We review and update our brochure at least annually to make sure that it remains current.

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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:

Portfolio Size	Annualized Fee
\$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%

The above fees include the cost of portfolio management services, custodial services and the execution of securities transactions.

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. Our fees are not negotiable. The portion of the total fee paid to our portfolio managers will vary depending on the individual managing the account. Our portfolio managers' compensation may be based on a fixed salary or on a percentage of the fee charged by the firm. This percentage may range from 20% to 50% of the total fees.

Generally, we will deduct our fee automatically from your account through the qualified custodian holding your funds and securities. However, we will deduct our advisory fee only when the following requirements are met:

- We have authorization from you, in writing, permitting the fees to be paid directly from your account held by the qualified custodian.
- We send you an invoice showing the amount of the fee, the asset valuation used to calculate the fee, and how the fee was calculated.
- We disclose to you that it is your responsibility to verify the accuracy of the fee calculation and that the custodian will not determine whether the fee is accurately calculated.
- The qualified custodian agrees to send you a statement, at least quarterly, showing all funds that came out of your account including the amount of the advisory fee paid directly to our firm.

We may deduct the fee from a designated account to facilitate billing.

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.

SFG may receive succession planning, practice valuation, and equity management services from third-party vendors through SFG's participation in the TD Ameritrade Institutional Equity Management Program. In addition to meeting the minimum eligibility criteria for participation in the TD Ameritrade Institutional Equity Management Program, SFG may have been selected to participate in the TD Ameritrade Institutional Equity Management Program based on the amount and potential profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade.

TD Ameritrade is a discount broker-dealer independent of and unaffiliated with SFG and there is no employee or agency relationship between TD Ameritrade and SFG. TD Ameritrade has established the TD Ameritrade Institutional Equity Management Program as a means of assisting independent unaffiliated Advisors to grow and maintain their respective investment advisory business. TD Ameritrade does not supervise SFG and has no responsibility for SFG's management of client portfolios or SFG's other advice or services to clients.

SFG's participation in the TD Ameritrade Institutional Equity Management Program raises potential conflicts of interest. SFG may encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to participate in the TD Ameritrade Institutional Equity Management Program, SFG may have an incentive to recommend to clients that the assets under management by SFG be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. SFG's participation in the TD Ameritrade Institutional Equity Management Program does not relieve the SFG of the duty to seek best execution of trades for client accounts.

Account Requirements and Types of Clients - Item 5

We offer investment advisory services to individuals, high net worth individuals and charitable organizations.

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

Portfolio Managers

William H. Sheavly and Karrie A. Thomas act as portfolio managers for the wrap fee programs described in this Wrap Fee Program Brochure. This may create a conflict of interest in that portfolio managers could place their own or SFG's interests before a client's interest. We have adopted Compliance Procedures and a Code of Ethics that requires our portfolio managers and other employees of the firm to adhere to their fiduciary duty and avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interests of clients.

We review a number of different criteria when reviewing our portfolio managers including: years of investment management experience, educational background, professional designations, ability to work in a team environment, compatibility with our investment management style, etc. Neither us, nor a third-party reviews, performance information to determine or verify its accuracy.

We have chosen not to utilize outside portfolio managers, and therefore, there is no selection and review of outside portfolio managers that could be inconsistent with the selection and review of our internal portfolio managers.

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

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

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 \$500, 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

Other Relationships or Arrangements With Issuers of Securities

Our firm and our related persons do not have any relationships or arrangements with any issuer of securities.

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.

William Harold Sheavly
President

Sheavly Financial Group, Inc.

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May 30, 2012

Form ADV Part 2B Brochure

This Brochure Supplement provides information about William H. Sheavly that supplements the Sheavly Financial Group, Inc. (hereinafter "SFG") Brochure. You should have received a copy of that Brochure. Please contact us at (757) 340-7006 if you did not receive SFG's Brochure or if you have any questions about the contents of this supplement.

Additional information about William H. Sheavly is available on the SEC's website at www.adviserinfo.sec.gov.

Educational Background and Business Experience - Item 2

William H. Sheavly, CFP®

Year of birth: 1953

Formal education after high school:

- Virginia Commonwealth University, Bachelor of Science, 1975
- Catonsville Community College, Associate of Arts with Honors, 1973

Business background for the previous five years:

- Sheavly Financial Group, Inc., President, 11/1991 – Present.
- American Portfolios Financial Services, Inc., Registered Representative, 06/2005 to 04/2011.
- American Portfolio Advisors, Inc., Investment Adviser Representative, 07/2005 to 04/2011.

The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

Disciplinary Information - Item 3

William H. Sheavly, President, has not been involved in any reportable disciplinary events.

Other Business Activities - Item 4

William H. Sheavly, President, is a licensed insurance agent and can effect transactions in insurance products for clients and earn commissions for these activities. The Firm expects that clients to whom it offers advisory services may also be clients for whom Mr. Sheavly acts as an insurance agent. This situation creates a conflict of interest since Mr. Sheavly may have an incentive to recommend insurance products based on the compensation received, rather than on our client's needs. Clients are instructed that the fees paid to the firm for advisory services are separate and distinct from the commissions earned by Mr. Sheavly for placing the Client in insurance products. Clients to whom the firm offers advisory services are informed that they are under no obligation to obtain insurance services from Mr. Sheavly and may use the insurance brokerage firm and agent of their choice.

Additional Compensation – Item 5

Apart from his receipt of commissions for the sale of insurance products, Mr. Sheavly does not receive additional compensation or economic benefits from third party sources in connection to his advisory activities.

Supervision - Item 6

William H. Sheavly, President, is an Investment Advisor Representative of SFG. In this role, Mr. Sheavly is responsible for the monitoring of client portfolios for investment objectives and other supervisory reviews. Karrie A. Thomas, Chief Compliance Officer, supervises Mr. Sheavly's personal transactions.

Mr. Sheavly adheres himself to SFG's code of ethics and compliance manual as mandated. Clients may contact Mr. Sheavly at (757) 340-7006 to obtain a copy of SFG's Code of Ethics.

Requirements for State-Registered Advisers - Item 7

Disciplinary Information

William H. Sheavly, President, has not been involved in any reportable disciplinary events.

Bankruptcy Petition

William H. Sheavly, President, has not been subject to a bankruptcy petition.

Karrie Ann Thomas

Chief Compliance Officer

Sheavly Financial Group, Inc.

324 Southport Circle, Suite 103

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May 23, 2012

Form ADV Part 2B Brochure

This Brochure Supplement provides information about Karrie A. Thomas that supplements the Sheavly Financial Group, Inc. (hereinafter "SFG") Brochure. You should have received a copy of that Brochure. Please contact us at (757) 340-7006 if you did not receive SFG's Brochure or if you have any questions about the contents of this supplement.

Additional information about Karrie A. Thomas is available on the SEC's website at www.adviserinfo.sec.gov.

Educational Background and Business Experience - Item 2

Karrie Ann Thomas

Year of birth: 1970

Formal education after high school:

- Old Dominion University, Bachelors Degree, Finance, 2004
- Tidewater Community College, Associates in Science, 2002

Business background for the previous five years:

- Sheavly Financial Group, Inc., Office Manager (01/2001 – 08/2005) and Chief Compliance Officer.
- American Portfolios Financial Services, Inc., Registered Representative, 08/2005 to 04/2011.
- American Portfolio Advisors, Inc., Investment Adviser Representative, 03/2007 to 04/2011.

Disciplinary Information - Item 3

Karrie Ann Thomas, Chief Compliance Officer, has not been involved in any reportable disciplinary events.

Other Business Activities - Item 4

Karrie Ann Thomas, Chief Compliance Officer, is a licensed insurance agent and can effect transactions in insurance products for clients and earn commissions for these activities. The Firm expects that clients to whom it offers advisory services may also be clients for whom Ms. Thomas acts as an insurance agent. This situation creates a conflict of interest since Ms. Thomas may have an incentive to recommend insurance products based on the compensation received, rather than on our client's needs. Clients are instructed that the fees paid to the firm for advisory services are separate and distinct from the commissions earned by Ms. Thomas for placing the Client in insurance products. Clients to whom the firm offers advisory services are informed that they are under no obligation to obtain insurance services from Ms. Thomas and may use the insurance brokerage firm and agent of their choice.

Additional Compensation – Item 5

Apart from her receipt of commissions for the sale of insurance products, Ms. Thomas does not receive additional compensation or economic benefits from third party sources in connection to her advisory activities.

Supervision - Item 6

Karrie Ann Thomas, Chief Compliance Officer, is an Investment Advisor Representative of SFG. In this role, Ms. Thomas is responsible for the monitoring of client portfolios for investment objectives and other supervisory reviews. William H. Sheavly, President, supervises Ms. Thomas' personal transactions.

Ms. Thomas adheres herself to SFG's code of ethics and compliance manual as mandated. Clients may contact Ms. Thomas at (757) 340-7006 to obtain a copy of SFG's Code of Ethics.

Requirements for State-Registered Advisers - Item 7

Disciplinary Information

Karrie Ann Thomas, Chief Compliance Officer, has not been involved in any reportable disciplinary events.

Bankruptcy Petition

Karrie Ann Thomas, Chief Compliance Officer, has not been subject to a bankruptcy petition.