

DISCLOSURE BROCHURE

COVER PAGE
THE INVESTMENT ADVISORS ACT OF 1940 RULE 204-3
FORM ADV PART 2A



A Socially Responsible Investment Firm

Firm CRD/IARD #: 132033

Shelby Financial Group, Inc.
REGISTERED INVESTMENT ADVISOR

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ITEM 1

This Disclosure Brochure provides information about the qualifications and business practices of Shelby Financial Group, Inc., which should be considered before becoming a client. You are welcome to contact us if you have any questions about the contents of this brochure - our contact information is listed to the right. Additional information about Shelby Financial Group, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

The information contained in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Administrator.

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BROCHURE
DATED
1
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2011

MATERIAL CHANGES

ITEM 2

There have been no material changes made to this document since the last revision date indicated on the cover of this Disclosure Brochure.

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ADVISORY BUSINESS

Who We Are

Shelby Financial Group, Inc is a registered investment advisor¹ engaged in the business of offering socially responsible and environmental conscious investment management services uniquely tailored to you, our client². Investing in corporations sensitive to sustaining our plant's resources aligns your values and vision with the future of all humanity.

Our History

Shelby Financial Group (hereinafter referred to as "the Company", "we", "us" and "our") was incorporated in July of 2004 as a Florida corporation offering socially responsible investment strategies.

Owners

The Company is controlled by the following person:

Name	Title	CRD#
Cherie G. DiNoia	President & Chief Compliance Officer	3031506

Assets Under Management

As of January 1, 2011, our assets under management totaled:

Client Discretionary Managed Accounts..... \$33,785,000

We do not offer non-discretionary investment management services.

Our Mission

Our mission is to create a future where you have control over your own life and destiny, where you have a chance to contribute, and the value of honoring human beings is principled and the environment flourishes. We operate in honor of the success of the Human Family; that we all can make a difference.

What We Do

We manage wealth using socially responsible and sustainable investments while assisting you with making fiscal responsibility and informed decisions on the complex financial options available in today's economic environment. We provide this service through:

¹ The term "registered investment advisor" is not intended to imply that Shelby Financial Group, Inc. has attained a certain level of skill or training. It is used strictly to reference the fact that we are "Registered" as an "Investment Advisor" with the Florida Department of Financial Services, Office of Financial Regulation - and with such other regulatory agencies that may have limited regulatory jurisdiction over our business practices.

² A client could be an individual and their family members, a family office, a foundation or endowment, a corporation and/or small business, a trust, a guardianship, an estate, another fiduciary or any other type of entity to which we choose to give investment advice.

- ❖ **Capital Appreciation Strategies** - Active investment management designed to yield superior investment returns that perform well in the current economic environment.
- ❖ **Capital Preservation Strategies** - Balanced investment management designed to produce consistent, stable investment returns that do not fluctuate wildly with daily changes in the financial markets.
- ❖ **Retirement Living/Tax Implication Strategies** - Income producing investments designed to capitalize on investment returns that yield either a low tax base income or are tax exempt.
- ❖ **Socially Responsible Focus** - As part of the above investment strategies, we focus on companies and investment vehicles that promote a socially conscious culture, products and systems.

How We Get to Know You

As a new client, we will often engage you in a pre-advisory consultation to discuss issues such as your current income and expenses, career, personal goals, investment return expectations and prior investment experience. In addition, we have you complete a profile questionnaire³ to provide us a picture of your financial needs.

With the complexity of today's marketplace, it is critical for us to understand who you are and what you want to accomplish financially. We must have a clear picture of your unique financial composition and risk tolerance so that we can develop a successful portfolio management strategy and tailored asset allocation guideline.

Our meetings with you to discuss your finances will help to eliminate much of the guesswork in achieving the security and independence you desire and simplify your financial alternatives. In return, we will have:

- ❖ Defined and narrowed objectives and investment options;
- ❖ Identified areas of greatest distress;
- ❖ Developed a strategy for addressing concerns about the future;
- ❖ Cultivated peace of mind; and,
- ❖ Created a unique picture of your overall economic personality.

Once your financial parameters have been identified, we will prepare an Investment Policy Statement that outlines what asset mix is most suitable for your unique investment expectations and risk tolerance. This Investment Policy Statement will direct us in the management of your account(s), and as a standard against which to measure future results and to make modifications where necessary.

Services We Offer

Portfolio Management

We manage diversified portfolios of primarily equities (stocks) and debt instruments (bonds) that have been screened for their social and environmental impact, to achieve the best return on your investment capital relative to your investment parameters as outlined in your Investment Policy Statement.

³ The profile questionnaire we use is an important tool in gathering information about your investment methodology, risk tolerance, income/tax bracket, liquidity, time horizons, etc. If you elect not to answer the questionnaire or chooses to respond with limited input, it is possible that we could operate in a handicapped capacity contrary to your investment needs. Therefore, if you desire the most effective and accurate recommendations regarding your managed account(s), you should make every effort to provide us with your detailed personal needs and objectives, along with detailed financial and tax information.

You will find further description of our management style under Item 8 below, “Methods of Analysis, Investment Strategies & Risk of Loss”.

FEES & COMPENSATION

ITEM 5

Portfolio Management

Portfolio management is provided on an asset-based fee arrangement. Our management fee is calculated based on the aggregate market value of your account on the first business day of each new calendar quarter multiplied by one-fourth of the corresponding annual percentage rate (i.e., $2.00\% \div 4 = 0.50\%$).

We retain discretion to negotiate the management fee under 2.00% on a client-to-client basis depending on the size, complexity, and nature of the portfolio managed. Generally, fee breaks occur as assets in your portfolio increase past the following tiers:

Account Balance	Annual Fee Rates
Up to \$250,000	2.00%
\$250,001 to \$500,000	1.75%
\$500,001 to \$750,000	1.50%
\$750,001 to \$1,000,000	1.25%
\$1,000,001 to \$2,000,000	1.00%
Over \$2,000,000	0.90%

We generally require a minimum initial investment of \$100,000.00 to open a managed account; however, we retain the right to waive this minimum if we feel circumstances are warranted.

The portfolio management fee will be fully disclosed to you in an Investment Advisory Agreement prior to conducting any investment management services.

Protocols for Portfolio Management

The following protocols establish how we handle our portfolio management accounts and what you should expect when it comes to: (i) managing your account; (ii) your bill for investment services; (iii) deposits and withdrawing funds from your account(s); and (iv) other fees charged to your account(s).

Discretion

Unless otherwise negated by you, we will establish discretionary trading authority on all Portfolio Management accounts to execute securities transactions at anytime without your prior consent or advice.

Billing

Your account will be billed quarterly in advance based on the aggregate fair market portfolio value of the assets in your account on the first day of the new calendar quarter. For the first

billing quarter, if the management account was not opened at the beginning/end of the quarter, the fee will be based upon a pro-rata calculation of the fair market value of your assets to be managed for the period.

Advisory fees will be taken first from free credit balances or from any money market funds or balances. If such assets are insufficient to satisfy payment of such fees, a portion of the account assets will be liquidated to cover the fees. Such liquidation may affect the relative balances of the account.

Deposits and Withdrawals

Assets deposited by you into your managed portfolio account between billing cycles will not result in additional management fees being billed to you unless such deposits exceed \$50,000. Such deposits of this amount or greater, in most cases, will require extensive modifications and adjustments to your investment strategy. Therefore, a pro-rated fee similar to what is disclosed above under "Billing" for new accounts may be assessed for deposits in excess of \$50,000.

For assets you may withdraw, we do not make partial refunds of your management fees. As with deposits, withdrawals may require modifications and adjustments to be made in the account to correct your allocation of assets.

Fee Exclusions

The above fees for all our management services are exclusive of any charges imposed by the custodial firm, such as: (i) any Exchange/SEC fees; (ii) service or account charges, including, debit balances or postage/handling fees; and/or, (iii) transaction fees earned by the custodial firm for securities transactions.

In addition, all fees paid to us for management services are separate from any fees and expenses charged to shareholders of mutual fund shares by the investment company or by the investment advisor managing the mutual fund portfolios. These expenses generally include management fees and various fund expense, such as: 12b-1 fees, redemption fees, account fees, purchase fees, and other sales load charges. A complete explanation of these expenses charged by the mutual funds is contained in each mutual fund's prospectus. You are encouraged to carefully read the fund prospectus.

Termination of Portfolio Management Services

To terminate investment advisory services, either party (you or us) by written notification to the other party, may terminate the Investment Advisory Agreement at any time, provided such written notification is received at least 30 days prior to the date of termination. Such notification should include the date the termination will go into affect along with any final instructions on the account (i.e., liquidate the account, finalize all transactions and/or cease all investment activity).

In the event termination does not fall on the last/first day of a calendar quarter, you shall be entitled to a pro-rated refund of the prepaid quarterly management fee based upon the number of days remaining in the quarter after the termination notice goes into affect. Once the termination of investment advisory services has been implemented, neither party has any obligation to the other - we no longer earn management fees or give investment advice and you become responsible for making your own investment decisions.

PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT

ITEM 6

We do not charge fees based on a share of capital gains or the capital appreciation of the assets held in your accounts.

TYPES OF CLIENTS

ITEM 7

The types of clients we offer advisory services to are described above under “Who We Are” in the Item 4, the “Advisory Business” section. Our minimum account size for portfolio management is disclosed above under “Portfolio Management” in Item 5 above in the, “Fees & Compensation” section of this Brochure.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

ITEM 8

Our Portfolio Management services are designed to build long-term wealth while maintaining risk tolerance levels acceptable to you. We combine your financial needs and investment objectives, time horizon, and risk tolerance, as outlined in your Investment Policy Statement, to yield an effective investment strategy. Your portfolio is then tailored to these unique investment parameters using primarily equities (stocks & preferred stocks) and debt instruments (bonds) with occasional mix of derivatives (options), certificates of deposit (CDs), real estate investment trusts (REITs), and exchange-traded funds (ETFs).

In addition, depending on your risk tolerance, we may also recommend using the following investment vehicles to achieve your desired investment objective: hedge funds and private placements. However, these investment vehicles bring on a whole different risk dynamic. If we recommend investment in one of these securities, we will discuss with you the limitations of such security and the potential risk factors to your portfolio.

Methods of Analysis

In analyzing stocks, bonds, options, CDs, REITs, and ETFs we will use a combination of analysis techniques to gathering information and to guide us in our management decisions.

Fundamental Analysis

Fundamental analysis considers: economic conditions, earnings, cash flow, book value projections, industry outlook, politics (as it relates to investments), historical data, price-earnings ratios, dividends, general level of interest rates, company management, debt ratios and tax benefits.

Technical Analysis

Technical analysis utilizes current and historical pricing information to help us identify trends in the broader domestic and foreign equity and fixed income markets, and in the underlying assets themselves. This may involve the use of various technical indicators, such as moving averages and trend-lines, among others.

Cyclical Analysis

Market cycles provide historic tried and true timing mechanisms to indicate turning points in future market prices. By tracking historic data through charts and graphs we can improve entry and exit timing strategies. Coupling cyclical analysis with technical analysis helps to ensure the most favorable buy/sell signal.

Fundamental analysis provides us with a broad long-term view of a security that begins with determining a company's value and the strength of its financials while technical analysis is short-term focusing on the statistics generated by market activity. Cyclical analysis provides us with historical data on market trends to focus our technical analysis for ideal entry/exit points.

Investment Strategy

We are not bound to a specific investment strategy or ideology for the management of your investment portfolio except for how such strategy might affect the risk tolerance levels we pre-defined for you during the getting-to-know-you process as well as in your Investment Policy Statement. However, our investment strategies generally incorporate these methodologies:

Modern Portfolio Theory

Modern Portfolio Theory ("MPT")⁴ is the analysis of a portfolio of stocks as opposed to selecting stocks based on their unique investment opportunity. The objectives of MPT is to determine your preferred level of risk then construct a portfolio that maximizes your expected return for that given level of risk. Our investment methodology follows five (5) basic premises, each of which is derived from MPT.

1. You, as with all clients, are inherently risk-averse.
2. The markets are basically efficient.
3. The focus of attention is shifted away from individual securities analysis to consideration of portfolios as a whole, predicated on explicit risk-reward parameters.
4. For any level of risk that you are willing to accept, there is a rate of return that should be targeted.
5. Portfolio diversification is not so much a function of how many issues are involved, but more a function of the relationships and proportions of each asset to its correlating asset.

Asset Allocation

Asset Allocation is a broad term used to define the process of selecting a mix of asset classes and the efficient allocation of capital to those assets by matching rates of return to a specified and quantifiable tolerance for risk. From this there are more narrow and aggressive Asset Allocation derivatives that we may use.

We have developed four model portfolio structures that are used as Asset Allocation guideline models in designing investment portfolios. Each model consists of a different "target" Asset Allocation comprised of different asset classes⁵ - spreading money among a variety of investments as opposed to investing in just one - creating a more prudent approach

⁴ Modern Portfolio Theory was developed and introduced by Harry M. Markowitz in his paper "Portfolio Selection" published in 1952 by the *Journal of Finance*.

⁵ The different asset classes are: Large-Cap U.S. Value Stocks; Large-Cap U.S. Growth Stocks; Mid-Cap U.S. Value Stocks; Mid-Cap U.S. Growth Stocks; Small-Cap U.S. Value Stocks; Small-Cap U.S. Growth Stocks; International Stocks; Fixed Income, REITS, and Cash.

to managing risk. The investment mix is uniquely designed to achieve the desired investment return. The selected stocks, bonds, and other investment vehicles in your investment portfolio are diversified to reflect their risk profile.

Typical composition mix classifications:

Asset Allocation Model	Percentage of		
	Stocks	Bonds	Cash
Aggressive/Growth	90% - 100%	0% - 10%	0% - 10%
Balanced	40% - 60%	20% - 40%	0% - 10%
Conservative/Preservation of Capital	30% - 50%	20% - 40%	10% - 20%
Fixed/Income	0% - 10%	60% - 80%	10% - 20%

Such allocation guidelines are a representation of a typical account composition but should not be construed as absolute. Ultimately, the exact composition makeup and allocation of securities are determined by the client's investment parameters, which can compose a more detailed and/or complex structure.

DISCIPLINARY INFORMATION

ITEM 9

We have no legal or disciplinary events to report at this time that are material to your evaluation of our advisory business.

OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS

ITEM 10

Certain of our supervised persons are licensed as resident life, health, and fixed annuity insurance agents by the State of Florida and may be licensed as non-resident agents in other states. Each agent is licensed to sell insurance-related products and earn commissions from the sale of these products.

More information about our supervised persons' and their affiliations can be found in their individual "Brochure Supplements".

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING

ITEM 11

Code of Ethics

As a fiduciary, the Company has an affirmative duty to render continuous, unbiased investment advice, and at all times act in your best interest. To maintain this ethical responsibility, we have adopted a Code of Ethics that establishes the fundamental principles of conduct and professionalism expected by all personnel in discharging their duties. This Code is a value-laden guide committing such persons to uphold the highest ethical standards, rooted in the most elementary maxim. Our Code of Ethics is designed to deter inappropriate behavior and heighten awareness as to what is right, fair, just and good by promoting:

- ❖ Honest and ethical conduct.
- ❖ Full, fair and accurate disclosure.

- ❖ Compliance with applicable rules and regulations.
- ❖ Reporting of any violation of the Code.
- ❖ Accountability.

To help you understand our ethical culture and standards, how we control sensitive information and what steps have been taken to prevent personnel from abusing their inside position, a copy of our Code of Ethics is available for review upon request.

Client Transactions

We have a fiduciary duty to ensure that your welfare is not subordinated to any interests of ours or any of our personnel. The following disclosures are internal guidelines we have adopted to assist us in protecting all of our clientele.

Participation or Interest

It is against our policies for any owners, officers, directors and employees to invest with you or with a group of clients, or to advise you or a group of clients to invest in a private business interest or other non-marketable investment unless prior approval has been granted by Ms. Cherie G. DiNoia, and such investment is not in violation of any SEC and/or State rules and regulations.

Trading Allocation

Our objective in order execution is to act fairly, impartially, and to take all reasonable steps to obtain the best possible results (known as “best execution”) for our clients. Therefore, we will not bunch (aggregate) orders for a block trade unless: (i) the bunching of orders is done for the purpose of achieving best execution; and, (ii) no client is systematically advantaged or disadvantaged by bunching the orders.

In consideration of these objectives, we will take into account the unique execution factors of the buy/sell order before bunching accounts for a block trade. A few of those factors are:

- ❖ **Security Trading Volume** - Bunching orders in a block trade can secure price parity and continuity for our clients during heavy trading activity.
- ❖ **Number of Clients** - The fewer the number of client accounts involved in the bunched order may not yield better pricing or order execution; it may be more advantageous to perform an individual market order for each client. In addition preparing individual market orders, for the small number accounts involved, may be quicker to complete than preparing a bunch order.
- ❖ **Financial Instruments** - The type of security involved as well as the complexity of order can affect our ability to achieve best execution.

Personal Trading

Employees of ours are permitted to personally invest their own monies in securities, which may also be, from time to time, recommended to you. Most of the time, such investment purchases are independent of, and not connected in any way to, the investment decisions made on your behalf. However, there may be instances where investment purchases for you may also be made in an employee's account. In these situations we have implemented the following guidelines in order to ensure our fiduciary integrity:

1. No employee acting as an Investment Advisor Representative (RA), or who has discretion over your account, shall buy or sell securities for their personal

- portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information is also available to the investing public on reasonable inquiry. No employee of ours shall prefer his or her own interest to that of yours or any other advisory client.
2. We maintain a list of all securities holdings for all our access employees. Ms. DiNoia reviews these holdings on a regular basis.
 3. We require that all employees act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
 4. Bunched orders (See "Trading Allocation" above) may include employee accounts. In such cases, priority and advantage will be given to satisfy your order first regardless of the situation.
 5. Any individual not in observance of the above may be subject to termination.

Personal trading activities are monitored by Ms. DiNoia to ensure that such activities do not impact upon your security or create conflicts of interest.

Class Action Policy

The Company, as a general policy, does not elect to participate in class action lawsuits on your behalf. Rather, such decisions shall remain with you or with an entity you designate. We may assist you in determining whether you should pursue a particular class action lawsuit by assisting with the development of an applicable cost-benefit analysis, for example. However, the final determination of whether to participate, and the completion and tracking of any such related documentation, shall generally rest with you.

Insider Trading

The Company is in compliance with the Insider Trading and Securities Fraud Enforcement Act of 1988. We do not share any non-public information with anyone who does not need to know and has set-up internal controls to guard your personal information.

BROKERAGE PRACTICES

ITEM 12

Custodial Services

The Company has custodial arrangements with TD Ameritrade, Inc. ("TD Ameritrade"), a licensed broker-dealer (member FINRA/SIPC), through their division TD Ameritrade Institutional for investment advisors.

We have selected TD Ameritrade as the custodian of choice based on their competitive transaction charges, our familiarity with their trading platforms, and on-line services and desktop software for account administration and operational support, including electronic trading, account forms and applications, market data, trading authorization, accounting and reporting, and other relevant administration and support services for us to assist with the management of your account. In addition, TD Ameritrade provides us proprietary and third-party research. These services offered from TD Ameritrade generally are available to independent investment advisors at no cost provided the investment advisor maintains a minimum amount of client assets under management in accounts at TD Ameritrade.

Services offered to us that have been discounted or waived are defined as "soft dollar" services. However, access to TD Ameritrade's online services, dedicated trading desk and service group, real-time order matching systems and electronic interface, desktop software,

and any research services provided or arranged by TD Ameritrade will be used to service all client accounts and will not be limited to only those particular accounts that may have generated commissions/transaction fees.

We are not a subsidiary of, or an affiliated entity of TD Ameritrade. We have sole responsibility for investment advice rendered, and our advisory services are provided separately and independently from TD Ameritrade.

Direction of Transactions and Commission Rates (Best Execution)

Since we do not recommend, suggest or make available a selection of custodians, other than TD Ameritrade for you to choose to custody your account(s), best execution may not always be achieved and you may pay higher transaction fees. Furthermore since we only use TD Ameritrade's custodial services, we may not be able to provide you complete institutional services if you elect to use another broker-dealer.

There will be no attempt by us to recommend TD Ameritrade solely on the lowest commission rates available. Your investment needs, general reputation, trading capabilities, investment inventory, the financial strength, and our personal experience working with TD Ameritrade has been considered, among other items, in suggesting TD Ameritrade institution to you.

REVIEW OF ACCOUNTS

ITEM 13

Each account is reviewed on an ongoing basis to ensure that your needs and objectives are being met. All accounts are reviewed in the context of your stated investment objectives and guidelines. Cash needs will be adjusted as necessary. In addition, you will receive at least quarterly statements from TD Ameritrade, Inc. where your account(s) are custodied. Each statement will summarize the specific investments currently held, the value of your portfolio and account transactions.

It is recommended that we review your account with you at least annually. Material changes in your personal circumstances, the general economy, or tax law changes can trigger more frequent reviews. However, it is your responsibility to communicate these changes to us so that the appropriate adjustments can be made.

CLIENT REFERRALS & OTHER COMPENSATION

ITEM 14

We do not receive any economic benefit from an independent party for managing any of our clients' accounts. In addition, we do not compensate persons/firms for client referrals.

CUSTODY

ITEM 15

We do not take possession of or maintain custody of your funds or securities, but will simply monitor the holdings within in your portfolio and trade your account based on stated investment objectives and guidelines. Possession and custody of your funds and/or securities shall be maintained with TD Ameritrade, Inc. as indicated above under Item 12, "Brokerage Practices". TD Ameritrade will send, at least quarterly, brokerage statements summarizing the specific investments currently held in your account, the value of your portfolio, and

account transactions. You are encouraged to verify the transaction activities disclosed to you in your brokerage statement.

INVESTMENT DISCRETION

ITEM 16

Securities and Amount Bought or Sold

We execute an Investment Advisory Agreement with you, which set forth the authority to buy and sell securities in whatever amounts are determined to be appropriate for your account and whether such transactions are with, or without, your prior approval.

VOTING CLIENT SECURITIES

ITEM 17

We are hereby expressly precluded from voting proxies. You understand and agree that you retain the right to vote all proxies, which are solicited for securities held in your managed accounts. Any proxy solicitations received by the custodian will be immediately forwarded to you for your evaluation and decision.

FINANCIAL INFORMATION

ITEM 18

We are not required to include financial information in our Disclosure Brochure since we will not take custody of client funds or securities or bill client accounts six (6) months or more in advance for more than \$500.

REQUIREMENTS FOR STATE-REGISTERED ADVISORS

ITEM 19

Information of each of our principal executive officers and supervised persons can be found in the attached Form ADV Part 2B: Brochure Supplements.

END OF DISCLOSURE BROCHURE