

**Shelton Financial Group, Inc.**

**7617 West Jefferson Blvd, Fort Wayne, IN 46804**

**Phone: (260) 436-7006**

**Fax: (260) 436-5452**

**[www.sheltonfinancial.com](http://www.sheltonfinancial.com)**

**[www.sfgfamily.com](http://www.sfgfamily.com)**

**FORM ADV PART 2A  
BROCHURE**

**This brochure provides information about the qualifications and business practices of Shelton Financial Group, Inc. If you have any questions about the contents of this brochure, please contact Jason White at (260) 436-7006 or at [jasonwhite@sheltonfinancial.net](mailto:jasonwhite@sheltonfinancial.net). 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 Shelton Financial Group, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Shelton Financial Group, Inc. is 123318.**

**Shelton Financial Group, Inc. is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.**

**06/12/2015**

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## Advisory Business

Shelton Financial Group, Inc. (“SFG”) is a registered investment adviser located in Fort Wayne, Indiana. SFG is registered with the United States Securities and Exchange Commission. It is wholly owned by Jeffrey Shelton and has been in existence since 1997. SFG has two main services: retirement analysis and asset management, which it provides to individuals, corporations, and charitable organizations.

### **A. Retirement Plan**

SFG offers a retirement analysis which we refer to as a retirement plan. In order to create the plan, SFG will attempt to identify current assets & liabilities, current sources of income, current ongoing deposits into savings, investments, and retirement accounts, current values on real estate and business interests. SFG will attempt to gather and review statements on each of the above items. SFG will also request that the client provide estimates for future retirement income such as social security, pensions, inheritances, business interests, and rental income. SFG will ask the client for an accurate estimate of current spending, hopefully eliciting a budget from the client, if possible, along with the level of retirement income desired and the age at which the client plans to begin retirement. SFG will project, based on the information provided by the client, an estimate, in the form of a summary report, of the value of the assets and income available at retirement, along with a projection of how long the assets will last before being depleted, if applicable. SFG will also provide a written summary of the matters identified by the SFG planner as issues that the client should consider. This written summary could be a narrative report or a list of issues to discuss and/or action items. The accuracy of the report and the written summary is deeply dependent on the accuracy of the information provided by the client. The acquisition of the statements, estimates, and documents will require that the client spend a reasonable amount of time preparing for the planning process.

The plan may include some additional areas of focus such as college funding, budgeting, or savings prioritization, to name just a few. The plan may also contain an investment risk profile evaluation, if requested by the client or identified by the planner as needed. The investment risk profile would include a review of the client’s investment attitudes, concerns, and risk tolerance.

The plan is not intended to provide detailed analysis of the client's insurance needs. It may, in certain circumstances, involve the review of existing life, long-term care, or disability insurance if requested by the client or deemed necessary by the planner.

The plan is not to be considered a Financial Plan, an Estate Plan, a Tax Plan or any other Plan.

## **B. Asset Management**

SFG provides investment advisory clients with asset management services on a discretionary basis. SFG manages client assets by offering a variety of strategies into which the client assets may be invested. SFG manages each client's account on the basis of the client's financial situation and investment objectives, but does not manage client accounts individually. Client's assets are placed into accounts that are managed in accordance with one or more of various strategies SFG has developed. Each strategy has a defined objective. Prior to placing a client's assets into any strategy, a risk profile analysis is completed to determine which strategies would be appropriate for an individual client. Not all clients will be allowed to use all strategies due to suitability limitations. SFG uses a variety of methods and tools to evaluate the suitability of any strategy for any particular client. All clients are encouraged to discuss their investment goals & concerns with their planner. Personal relationships and face to face conversations allow planners and clients to create an individualized portfolio using as many different strategies as required. SFG allows reasonable restrictions to be placed on a clients managed accounts.

SFG's strategies primarily use no transaction fee, load waived A share, no-load, or institutional class mutual funds. Some strategies will use exchange traded funds, but currently these are used on a limited basis.

All strategies are monitored regularly. However, at least quarterly, all investment categories and mutual funds will be re-evaluated to determine if there should be any replacements. If a change is indicated, SFG could choose to keep an investment category, just replacing a specific mutual fund, or it could replace an entire investment category, thus requiring the sale of the previously owned funds and the purchase of new funds. SFG attempts to make all trades based on SFG's decisions for all clients in all accounts on the

same day (each quarter) referred to as the next reposition date (NRD).

SFG offers several categories of strategies. The tactical models have a ratio of equity to fixed income that will vary according to the discretion of SFG. These models could be all in equity or all out of equity, all in fixed income or all out of fixed income, or all in cash. The strategy is more likely to be a mixture of equity and fixed income. SFG has full discretion on the positioning and ratio of equity to fixed income of these strategies, which can swing from very conservative to very aggressive without client pre-approval. The client uses a tactical strategy knowing that their account will be more conservative at times, and more aggressive at times, all dependent on SFG's discretion.

SFG offers more traditional asset allocation models which are comprised of a set equity to fixed income ratio. In these strategies, the client can select from a group (currently 4 options) of strategies, allowing the client to choose their desired mixture of equity to fixed income, potentially controlling the risk profile of the account. The client then allows SFG the discretion to use their preferred investment categories, maintaining the established equity to fixed income ratio. The desired ratio of equity to fixed income is reset to the strategy objective every quarter on the next reposition date.

SFG also offers a variety of focused strategies. These strategies are built using very specific, usually non-diversified, investment categories. For example, a strategy may use all equities all the time, or all gold, or all municipal bonds, just to name a few. Although the strategy may have some diversity within a specific asset class, these strategies are for clients wanting exposure to a very concentrated segment of the market. These strategies may also serve clients wanting to avoid specific segments of the market knowing that the strategy objective will also "exclude" categories that are not allowed.

Certain custodians (investment platforms) may not offer all investment categories or mutual funds desired for a particular strategy. Therefore, category and fund substitutions will be implemented when needed. If a substitution is required, SFG will select the category or fund deemed to be the next best option, based on the proprietary selection process employed. The substitution of a category or fund will result in a client experiencing a performance different than that of the strategies advertised performance.

### **C. Asset Report**

SFG, at its discretion, may provide to clients and prospective clients a free Asset Report. The Asset Report provides a snapshot in time of current retirement assets and the future value of those assets based on several factors. The factors may include an assumed rate of

return, planned ongoing contributions, an assumed inflation rate, a pre-determined withdrawal rate, estimated retirement income sources, along with other variables included in the report. The report will not include a written list of recommendations or details on the calculations used to complete the report.

SFG does not participate in any wrap programs.

**D. Assets Under Management**

As of December 31, 2014 total advisory assets were \$293,845,778. Discretionary assets were \$293,845,778. Non-discretionary assets were \$0.

## Fees and Compensation

### **A. Retirement Analysis Fees**

The fee for retirement analysis will range from \$600 to \$10,000+ based on the complexity of the plan. SFG may waive or reduce fees for retirement analysis based on individual client circumstances, at SFG's discretion. Retirement analysis fees are negotiable. SFG may also provide this service for an hourly fee, dependent upon the staff position performing the service. The hourly fee schedule as of the date of this brochure for new clients is as follows:

Senior Planner = \$200/hour

Planner = \$150/hour

Associate Planner = \$100/hour

Relationship Manager = \$75/hour

Administrative Support = \$50/hour

Invoices for retirement analysis fees are sent in two phases. The initial installment of \$250 is due after the initial meeting with the SFG representative. SFG invoices the client directly, with payment due upon receipt. The final invoice is sent to the client after the plan is presented. SFG invoices the client directly, with payment due upon receipt.

If the client chooses to cancel the contract at any point in the process before the plan presentation meeting, any unbilled fees at that point will be cancelled. Any fees earned by SFG prior to the client cancelling SFG's services, are expected to be paid by the client.

### **B. Asset Management Fees**

SFG's asset management services are provided for clients for a percentage of their assets under management. SFG's annual fee shall be prorated and charged quarterly, in advance, based upon the market value of the total assets held by the client and anyone in his/her household on the last day of the previous quarter. Routine quarterly fees will be assessed in the first month of each calendar quarter. Quarterly fees are figures based on the clients' household fee percentage multiplied by the previous quarter end account values divided by four. Fees in new accounts are based on the account value on the date the new assets arrive in the account. The fee will equal the clients' household fee percentage multiplied by the opening account value divided by 365 days multiplied by the number of days remaining in the quarter.

Additional deposits or transfers in kind of securities to the account that are \$10,000 or greater will be billed for the remainder of the quarter in which they are received. Deposits

under \$10,000 will not be billed until the next quarter. If the fee on the additional deposit is less than \$25 it will not be charged.

A client may receive a pro-rata refund of fees for withdrawals from an account. Refunds will only be given on withdrawals of \$10,000 or more. The refund may be credited on the next quarter's billing or returned to the account as a fee credit. If the refund on a withdrawal is less than \$25 it will not be refunded. However, if the client has terminated the agreement, the prorated refund will be given regardless of the amount.

The fee schedule is as follows:

All ERISA Plans, including 401K plans = 1.5%.

All other clients:

|                           |       |
|---------------------------|-------|
| \$0 - \$99,999            | 3.00% |
| \$100,000 - \$249,999     | 2.00% |
| \$250,000 - \$499,999     | 1.50% |
| \$500,000 - \$999,999     | 1.25% |
| \$1,000,000 - \$1,999,999 | 1.00% |
| \$2,000,000 - \$2,999,999 | 0.90% |
| \$3,000,000 - \$4,999,999 | 0.80% |
| \$5,000,000 - \$7,999,999 | 0.70% |
| \$8,000,000 - \$9,999,999 | 0.60% |
| \$10,000,000 and over     | 0.50% |

SFG may waive or reduce fees for asset management based on individual client circumstances, at SFG's discretion. All asset management fees are negotiable.

Additions to accounts may be in cash or a transfer-in-kind of securities. SFG reserves the right to liquidate any transferred securities, or decline to accept particular securities into a client's account. SFG may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge), commissions, and/or tax ramifications.

Asset management fees are deducted from clients' accounts under management unless otherwise directed by the client. Clients may elect to be billed directly for the fee. They may also elect to have the fee deducted from another account under SFG management, subject to some restrictions based on account registration.

Since SFG's asset management fees are billed in advance, refunds may apply depending on



when services are cancelled by the client. The refund will equal the household fee percentage multiplied by the account value divided by 365 days multiplied by the number of days remaining in the quarter.

### **C. Termination**

The asset management services client engagement agreement is cancelable in writing at any time by either party for any reason. The Client may cancel within five (5) business days and receive a full refund of any asset management fees paid. If a client terminates prior to a quarter end, the client will receive a pro-rata refund.

### **D. Short-Term Trading Fees**

Clients should be aware that they may pay short-term trading fees, based on when buys and sells of mutual funds happen in their accounts. SFG's potential quarterly trading in client accounts means that it is possible, depending on when clients move in or out of strategies, that clients may pay short term trading fees. In addition, SFG may choose to perform an intra-quarter trade if necessary, meaning we may trade more frequently than quarterly (before our next scheduled reposition date). In this case, clients may pay a short term trading fee depending on when the buy and subsequent sell happens.

### **E. Transaction Costs**

Clients may incur certain charges imposed by the custodians recommended by SFG and other third parties such as custodial fees, charges imposed directly by a mutual fund or exchange traded fund in the account. Fees imposed by a mutual fund are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses). Clients may also pay deferred sales charges, short term trading fees, account closing fees, redemption fees, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The client will indirectly pay a management fee to the managers of mutual funds and annuities used within the account. SFG does not receive any portion of these fees/charges.

Additionally, advisory clients who also have assets in an account through Comprehensive Asset Management and Servicing, Inc. ("CAMAS"), a broker-dealer, may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and may be in addition to SFG's fee. SFG's annual fee is exclusive of and in addition to brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. However, SFG shall not receive any portion of these commissions, fees, and costs. Our investment adviser representatives, however, will usually receive portions of the commission charged by CAMAS. See subsection below

titled “Brokerage Commissions and 12b-1 Fees”.

## **F. Custodian Fees**

For accounts held at Trust Company of America (“TCA”), there is the potential of a 0.24% custodial fee charged to the client by TCA. Currently, as long as SFG maintains at least 85% of SFG’s total assets under management with TCA in no-transaction fee (NTF) mutual funds, then TCA’s custodian fee is waived. This fee reduction benefits SFG’s clients. See section below titled “Brokerage Practices” for more information.

## **G. Other Compensation to SFG and/or its Representatives**

### **1. Brokerage Commissions and 12b-1 Fees**

Investment Adviser Representatives of SFG are also registered representatives of Comprehensive Asset Management and Servicing, Inc. (“CAMAS”). They may sell investment products to any client, including advisory clients through CAMAS, the broker-dealer. CAMAS is not affiliated with SFG and assumes no responsibility for SFG’s investment advisory activities. Clients have the option to purchase investment products recommended by SFG through other brokers or agents that are not affiliated with SFG. Advisory representatives of SFG who are registered representatives of CAMAS must comply with FINRA’s rules that restrict registered representatives from conducting transactions away from their broker dealer without the express written consent of the broker dealer for supervisory reasons.

Clients purchasing investments through an investment adviser representative of SFG, who is also a registered representative of CAMAS, are advised that the SFG representative may receive some or all of the distribution charges, also known as 12b-1 fees, that the mutual fund company charges the fund. For commissionable products sold, SFG’s investment adviser representatives may receive 12b-1 fees and trails from mutual fund trades executed for clients or for variable annuity products. This presents a conflict of interest in that SFG’s representatives have an incentive to recommend one product over another based on what they may receive as compensation, rather than on the clients’ needs. SFG’s general asset management practice is to use no transaction fee, load waived A share, no-load, or institutional class mutual funds in our advisory accounts. If the client has enough assets to meet our minimum account size of \$30,000, they may choose to use our asset management services, based on their suitability profile. Generally, commission-based products sold through CAMAS will be recommended and purchased in those accounts that fall below our minimum account requirement, or in other situations where said products are consistent with the needs of the clients.

Clients have the option to purchase investment products recommended by SFG through other brokers or agents not affiliated with SFG.

## **2. Variable Annuities**

SFG representatives sell variable annuities to some advisory clients who also wish to have our asset management services for that contract. In that case, beginning in 2015, SFG does not allow upfront commissions and SFG's asset management services to be placed on the account simultaneously. If an upfront commission is received by a representative of SFG or any of SFG's solicitors for the sale of a variable annuity, SFG will not manage that variable annuity for a period of 12 months after the upfront commission was paid. If SFG chooses to manage it sooner than 12 months following the date the upfront commission was paid, SFG will waive its management fee until 12 months after the date the upfront commission was paid. Representatives of SFG and SFG's solicitors will usually receive trailing commissions on certain variable annuity products.

## **3. Insurance Commissions**

SFG is also an insurance agency licensed with the state of Indiana. Some investment adviser representatives of SFG, as well as some other staff members, are licensed insurance agents, selling insurance products including life insurance, long term care insurance, and fixed annuities through SFG. SFG and the writing agent receive commissions for the sale of insurance products. This creates a conflict of interest in that the representative may recommend insurance products with higher commissions than other securities products. However, the client is able to purchase insurance products through SFG or through another agent/agency of their choice.

## **4. Custodial Support Agreement**

SFG has entered into an Investment Advisor Custodial Support Services Agreement with Fidelity by which SFG has agreed to provide to Fidelity certain back office, administrative, custodial support and clerical services and in consideration for these services, Fidelity has agreed to pay SFG a fee on specified assets – namely no transaction fee (NTF) mutual fund assets (other than Fidelity mutual funds) in custody with Fidelity and held in non-IRA accounts ("Qualified Accounts"). The services that SFG has agreed to provide include the following: clerical and ministerial assistance in opening client accounts, clerical and ministerial assistance in maintaining client accounts and facilitating asset transfers and money movement directed by a client, clerical and ministerial assistance in reconciling and assisting in updating of client account information, clerical and ministerial assistance in connection with customer inquiries and account information research, clerical and ministerial assistance to clients in connection with the use of brokerage services such as

periodic investment plans, periodic withdrawal plans, and check writing privileges, promptly notifying Fidelity in writing of any written customer complaint relating to Fidelity's services and other shareholder services as the parties may agree in writing from time to time.

Even though the compensation is paid to SFG for providing the above-described services and not for the sale of any investment product, the amount of the compensation for the services is tied to particular investment products. Specifically, the fee received by SFG for these services is equal to 0.15 percent of the average daily balance invested in NTF mutual funds other than Fidelity funds and held in Qualified Accounts. Even though the fees paid to SFG according to this agreement are not paid by the clients, this arrangement creates a conflict of interest for SFG in that SFG has a financial incentive to use NTF mutual funds for which we receive additional compensation.

More specifically, this arrangement gives SFG or its supervised persons an incentive to recommend investment products based on the compensation received, rather than on a client's needs. This also has the potential to influence SFG's strategy building decisions when deciding which funds to use. SFG follows a defined method of arriving at what mutual funds will be used in our asset management strategies. SFG subscribes to Morningstar Direct, a software that provides performance, risk, cost, and other data on different asset classes, or "investment categories" defined by Morningstar. SFG's portfolio manager monitors the rankings of all investment categories according to performance, risk, and other investment metrics. These categories are then screened according to six criteria: 1) overlap with other high ranked categories, 2) concentration vs. diversification, 3) fund availability, 4) trends within the rankings, 5) opportunity, and 6) risk/reward score. SFG has an Investment Advisory Team (IAT) made up of SFG staff members who review the data prior to fund selection and select the categories in which SFG will invest client assets. The IAT then selects the funds to be purchased within the categories selected using a screening system similar to the one applied to the investment category data. Because SFG uses NTF mutual funds whenever possible, SFG's portfolio manager reviews all NTF funds available through Fidelity, the custodian, and determines which NTF funds to purchase in each investment strategy. SFG uses Fidelity funds whenever their selection is dictated by this process, and does not look only at non-Fidelity mutual funds for strategy building.

The Custodial Support Services Agreement also creates a conflict of interest with respect to the recommendation of custodians. Please refer to the section below titled "Brokerage Practices," for a full description of that conflict of interest and how SFG addresses the conflict.

## **5. Trust Company of America Agreement**

Similarly, SFG's clients receive discounted or waived fees from another custodian, Trust Company of America ("TCA"), whenever certain percentages of SFG's total assets under management at TCA are invested in NTF mutual funds. Theoretically, this could influence SFG's choice of recommended custodian as well as the recommendation to invest in NTF mutual funds. See the sections below titled "Brokerage Practices" and "Client Referrals and Other Compensation" for a full description of that conflict of interest and how SFG addresses the conflict.

## Performance-Based Fees and Side-By-Side Management

SFG does **not** accept performance-based fees which are fees based on a share of capital gains or capital appreciation of the assets of a client (such as a client that is a hedge fund or other pooled investment vehicle).

## **Types of Clients**

SFG's clients generally consist of individuals, trusts, estates, and corporations or other business entities. SFG does not have any investment companies or government entities as advisory clients. SFG has a minimum account size of \$30,000 for asset management services. Exceptions may be made at SFG's discretion to accommodate smaller accounts down to \$10,000 for some strategies. Once an account is open and active, if the value falls below \$25,000, at the end of any calendar quarter, SFG will cancel the management contract and notify the client.

## Methods of Analysis, Investment Strategies and Risk of Loss

Investing in securities involves risk of loss that clients should understand and be prepared to bear. SFG manages clients' assets according to defined investment strategies. We offer tactical strategies which may have variable equity to fixed income ratios, asset allocation strategies which have a set equity to fixed income ratio, and other more focused strategies. Our Gold strategy, for example, may only invest in Gold exchange traded funds ("ETFs") and/or gold mining stocks. SFG currently offers a total of 17 strategies. Clients should be aware that not all strategies are available to be managed by us through all custodians. In addition, not all mutual funds and/or ETFs may be available at all custodians. The same strategy used at different custodians may hold different mutual funds and/or ETFs.

SFG follows a defined method of arriving at what mutual funds and/or ETFs will be used in our asset management strategies. SFG subscribes to Morningstar Direct, a software that provides data on investment categories. SFG's portfolio manager then ranks and divides the data into different reports. Next the categories are then filtered according to six criteria: 1) overlap with other high ranked categories; 2) concentration versus diversification; 3) fund availability; 4) trends within the rankings; 5) opportunity; and 6) risk/reward score. SFG has an Investment Advisory Team ("IAT") made up of SFG staff members, who then review the data and discuss the categories. The categories are approved by the IAT, which then leads to mutual fund/ETF selection within the categories selected. SFG's portfolio management team reviews available mutual funds/ETFs and applies a similar filtering process before making a final selection of mutual funds/ETFs for each strategy.

SFG's strategies are reviewed on a quarterly basis, with trading taking place quarterly, for those mutual funds and/or ETFs that are determined to be removed or re-allocated at that time. It is possible that after the review of our strategies we decide not to make any trades for that quarter. In addition, SFG generally uses mutual funds with a minimum holding period no longer than 60 days for most strategies, so no additional costs would be incurred by the client due to our trading potentially every quarter. From time to time certain strategies may hold mutual funds with a hold period longer than 60 days, which may result in short-term trading fees paid by the client, depending on when the buy and subsequent sell occurs. SFG may perform an intra-quarter trade if necessary, meaning we may trade in a period more frequently than quarterly in certain strategies and at certain custodians. In this case, the client may pay a short-term trading fee depending on when the buy and subsequent sell happens. SFG's investment strategies are not managed for tax efficiency. Due to trade happening potentially



quarterly, a client may have taxable gains or losses. Trading every quarter, potentially, may positively or negatively affect the performance of the clients' investments.

SFG uses mainly mutual funds in our asset management strategies. Some strategies may also contain mutual funds and/or exchange traded funds ("ETFs"). With all mutual funds and ETFs, the value of your investment could decline so you could lose money. Mutual funds and ETFs are subject to the general risks associated with the markets and securities in which they invest, including the risk that the value of a portfolio may be impacted gradually or sharply by general conditions of the market, changes in interest rates, or the performance of an individual company, industry, or economy. Investment return and account values may fluctuate so that shares, when redeemed, may be worth more or less than their original cost.

All investment strategies have certain risks that are borne by the investor. Investors face the following investment risks, depending on the type of investments they own:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, historically when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

## Disciplinary Information

In October of 2012, the Securities and Exchange Commission (“SEC”) conducted an examination of our Firm. That examination identified certain deficiencies relating to certain former versions of this document, our Brochure. The Brochure is required to be filed with the SEC and updated at least annually, as well as given to our clients and prospective clients at the beginning of the adviser-client relationship. The Brochure must contain certain information about our Firm, including information regarding any material relationships we have with third parties that may create conflicts of interest. The SEC examination concluded that the Firm did not make proper disclosure to clients and prospective clients of the Firm’s arrangement with a third-party custodian, Fidelity, from which the Firm received payments for providing custodial support services such as facilitating asset transfers, updating client information, handling client inquiries, and assisting clients with paperwork, to name a few.

On January 13, 2015, with the consent of the Firm and its President, Jeff Shelton, the SEC entered an Order Instituting Administrative Proceedings against the Firm and Mr. Shelton. The Firm and Mr. Shelton consented to the Order without admitting or denying the findings contained therein, except as to the jurisdiction of the SEC.

Although the arrangement between the Firm and Fidelity was and is permissible, the Firm was required to disclose to its clients and prospective clients not only that the Firm was receiving payments from Fidelity, but also the conflict of interest the arrangement created. The order found that the Firm initially negligently failed to disclose the arrangement and the resulting conflict of interest, and when the Firm later did so, it negligently failed to describe the arrangement and the conflict adequately. The order did not find that the Firm or Mr. Shelton acted intentionally.

The order found that the Firm and Mr. Shelton violated Sections 206(2) and 207 of the Investment Advisers Act of 1940 and that Mr. Shelton caused the Firm to violate Section 206(4) of the Investment Advisers Act and Rule 206(4)-7 adopted under the same act. The order imposed civil penalties against the Firm and Mr. Shelton in the amount of \$70,000 and required them to pay \$99,114.19, plus interest of \$20,952.91, in disgorgement. The order also censured the Firm and Mr. Shelton and required the Firm to commit to several undertakings relating to compliance. A complete copy of the order is attached to this Brochure.

In April 2014 the Firm made enhanced disclosures of the Fidelity arrangement in the Brochure, and the present Brochure contains disclosures and discussions of the arrangement in the sections titled “Fees and Compensation” and “Brokerage Practices”.

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

Some investment adviser representatives of SFG are also registered representatives of a broker-dealer, Comprehensive Asset Management & Servicing, Inc. (“CAMAS”). In addition, some of SFG’s support staff are non-producing registered representatives of CAMAS. SFG is independent of CAMAS. This presents a conflict of interest in that SFG’s representatives have an incentive to recommend one product over another based on what they may receive as compensation, rather than on the clients’ needs. SFG’s general asset management practice is to use no transaction fee, load waived A share, no-load, or institutional class mutual funds in our advisory accounts. If the client has enough assets to meet our minimum account size of \$30,000, they may choose to use our asset management services, based on their suitability profile. Generally, commission-based products sold through CAMAS will be recommended and purchased in those accounts that fall below our minimum account requirement, or in other situations where said products are consistent with the needs of the clients.

SFG is also an insurance agency licensed with the state of Indiana. Some investment adviser representatives of SFG, as well as some other staff members, are licensed insurance agents, selling insurance products including life insurance, long term care insurance, and fixed annuities through SFG. SFG and the writing agent receive commissions for the sale of insurance products. This creates a conflict of interest in that the representative may recommend insurance products with higher commissions than other securities products. However, the client is able to purchase insurance products through SFG or through another agent/agency of their choice.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

SFG has adopted a Code of Ethics related to such matters as insider trading, personal securities trading, gifts and confidentiality of client information. All employees of SFG are annually required to sign an acknowledgment that they received a copy of and will comply with the guidelines set forth in the Code of Ethics. Clients may request a copy of SFG's Code of Ethics.

SFG and its employees may buy or sell securities identical to those securities recommended to clients. Therefore, SFG and its employees may have an interest or position in certain securities that are also recommended and bought or sold to clients. SFG and its employees' accounts are treated the same as any other client account. The representative chooses an SFG managed strategy, containing the same mutual funds and/or ETFs as any other client using that same strategy. SFG and its employees will not put their interests before a client's interest. Employees may not trade ahead of their clients or trade in such a way to obtain a better price for themselves than for their clients. SFG is required to maintain a list of all securities holdings for its associated persons. Further, associated persons are prohibited from trading on non-public information or sharing such information. Clients have the right to decline any investment recommendation. SFG and its associated persons are required to conduct their securities and investment advisory business in accordance with all applicable Federal and State securities regulations.

SFG complies with the Insider Trading and Securities Fraud Enforcement Act of 1988 and has adopted a firm policy that outlines insider-trading compliance. The statement has been distributed to all advisory representatives, associated persons, and employees. SFG monitors the trading activities of its employees by reviewing quarterly statements of transactions in personal securities accounts for all employees, if applicable.

## Brokerage Practices

### A. Brokerage- Generally

In general SFG recommends that clients custody their assets and effect their trades through Fidelity Institutional Wealth Services (“Fidelity”), Trust Company of America (“TCA”), or Jefferson National (for variable annuity products). Factors SFG considers in recommending Fidelity or TCA or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research, and service. Fidelity and TCA enable SFG to obtain many mutual funds without transaction charges and other securities at nominal transaction charges.

Some IARs of SFG are also Registered Representatives of Comprehensive Asset Management and Servicing, Inc. (“CAMAS”), a broker-dealer. CAMAS is not affiliated with SFG and assumes no responsibility for SFG’s investment advisory activities. If an IAR of SFG recommends that a client open a mutual fund account outside of the SFG asset management strategies, it will be a broker-dealer account through CAMAS. The registered rep may use any mutual fund company with which CAMAS has a selling agreement.

For accounts that are actively managed by SFG’s asset management strategies, the client has the choice of Fidelity, Trust Company of America, or Jefferson National (for variable annuity products). This creates a potential conflict of interest in that SFG may benefit from placing a client’s assets at a certain custodian in the form of research or payment for other services provided. The IAR together with the client will decide which of the above custodians they will choose for their SFG managed account. Clients should be aware that expenses may differ – higher or lower - at each custodian. The client retains the authority to select the broker/dealer and/or custodian from among the ones recommended by SFG.

Advisory representatives of SFG who are registered representatives of a broker/dealer must comply with FINRA’s rules that will restrict registered representatives from conducting transactions away from their broker/dealer without the expressed written consent of the broker/dealer for supervisory reasons. This means that no such representative may offer clients an investment-related product or service except as specifically approved by CAMAS.

## **B. Soft Dollars**

### **1. General Soft Dollars**

SFG may receive from various broker-dealers, without cost to SFG, computer software and related systems support, which allow SFG to better monitor client accounts maintained at that custodian. SFG may receive the software and related support without cost because SFG renders investment management services to clients that, in the aggregate, maintain a certain level of assets at the various broker-dealers. Specifically, SFG receives the following benefits: receipt of duplicate client confirmations and bundled duplicate statements, access to an electronic communication network for client order entry and account information and discounts for the purchase of software.

From time to time, custodians, fund companies, and other vendors provide paid travel expenses, including hotels, meals, and transportation. This is generally for understanding the funds we consider and due diligence performed in relation to the services these companies provide to us and ultimately our clients.

### **2. Fidelity**

SFG has entered into an Investment Advisor Custodial Support Services Agreement with Fidelity by which SFG has agreed to provide to Fidelity certain back office, administrative, custodial support and clerical services and in consideration for these services, Fidelity has agreed to pay SFG a fee on specified assets – namely no transaction fee (NTF) mutual fund assets (other than Fidelity mutual funds) in custody with Fidelity and held in all non-IRA accounts. The fee is equal to 0.15 percent of the average daily balance invested in NTF mutual funds other than Fidelity funds. The services that SFG has agreed to provide include the following: clerical and ministerial assistance in opening client accounts, clerical and ministerial assistance in maintaining client accounts and facilitating asset transfers and money movement directed by a client, clerical and ministerial assistance in reconciling and assisting in updating of client account information, clerical and ministerial assistance in connection with customer inquiries and account information research, clerical and ministerial assistance to clients in connection with the use of brokerage services such as periodic investment plans, periodic withdrawal plans, and check writing privileges, promptly notifying Fidelity in writing of any written customer complaint relating to Fidelity's services and other shareholder services as the parties may agree in writing from time to time. This arrangement creates a conflict of interest in that SFG may benefit from recommending Fidelity as a custodian of the client's assets.

The Custodial Support Services Agreement also creates a conflict of interest with respect to the investments selected for client accounts. See the section above titled “Fees and Compensation,” for a discussion of this conflict and how it is addressed by SFG.

### **3. Trust Company of America**

SFG has also entered into an agreement with Trust Company of America (TCA). SFG uses the services of Trust Company of America as one of the custodians that SFG may recommend to our clients. Trust Company of America offers institutional custody, trading and other services for registered investment advisors and their clients. All equity trade executions for Trust Company of America accounts will clear through ConvergeEx Group, LLC. As part of this service Trust Company of America provides advisor with software and services to help manage the assets in client accounts as well as to assist in monitoring and servicing the accounts. Trust Company of America also may provide services that assist Advisor in managing and develop our business as well as arrange for such assistance by third parties. These services may be provided at no or reduced costs to advisor as part of our business relationship with Trust Company of America.

TCA has established a client reporting fund to assist SFG in its growth strategy. TCA will annually fund \$13,000 to be used for client reporting in each year that SFG’s aggregate assets at TCA are greater than \$85,000,000. TCA offers an additional \$4,000 in the client reporting fund if/when SFG reaches \$125,000,000 in assets under management at TCA. This fund will be available on an annual basis as long as SFG maintains aggregate assets under custody at TCA in the amount of \$125,000,000 or greater. Meeting these benchmarks of assets under custody at TCA provides SFG with direct financial benefit. Clients should be aware that the receipt of economic benefits by Advisor or its related persons in and of itself creates a conflict of interest and may indirectly influence the Advisor’s recommendations relating to custody services. The benefits received under this agreement are used to benefit all clients and not just those clients maintaining accounts at one of the custodians SFG recommends.

Increasing the amount of assets under custody at TCA also provides SFG clients with a reduced annual asset fee for their assets held at TCA. As part of the agreement, when SFG reaches assets under management benchmarks at TCA, TCA has agreed to reduce the maximum custodian charge to clients maintaining accounts at TCA. Currently, as long as SFG maintains \$50,000,000 or more in assets at TCA, then TCA’s custodian fee is reduced



from .24% to .22%. Currently, as long as SFG maintains at least 85% of SFG's total assets under management with TCA in no-transaction fee (NTF) mutual funds, then TCA's custodian fee is waived. If at any time SFG maintains \$100,000,000 or more in assets at TCA, the custodian fee will be waived as long as SFG maintains at least 80% of its total assets under management with TCA in no-transaction fee (NTF) mutual funds. This fee reduction benefits SFG's clients. Finally, TCA will reimburse any client up to \$75 per account for moving their accounts to TCA from Fidelity during 2015.

Although these incentives could create a conflict of interest by influencing the custodian SFG recommends or recommending that clients invest in NTF funds, as part of its fiduciary duties to clients, SFG endeavors at all times to put the interests of its clients first.

### **C. Block Trading**

SFG's investment strategies use mutual funds and/or exchange traded funds ("ETFs"). Trades are placed as the orders are received. SFG's quarterly trade for all strategies for which a change is determined is done in block trading as offered by the software used at each custodian. For mutual funds traded, pricing happens at the end of the day. For ETFs traded in block, the software averages the prices among all clients participating in the trade.

### **D. Trade Errors**

SFG maintains an error account at certain custodians, when available. If there is a loss due to a trade error by SFG, SFG will make the client whole. If there is a gain in correcting the trade error, the gain will be retained by the respective custodian or retained in the respective trade error account.

### **E. Brokerage for Client Referrals**

SFG routinely recommends that clients direct us to execute transactions through either Fidelity, Trust Company of America ("TCA"), or Jefferson National. Not all advisers require or recommend directed brokerage. We have economic relationships with both Fidelity and TCA that create conflicts of interest, as described in this same section above.

Clients should be advised that the practices described above may lead to SFG being unable to achieve most favorable execution of client transactions, and that these practices may cost clients more money.

The process of selecting the broker-dealer (custodian) for SFG managed accounts involves the IAR and the client looking at SFG's list of approved custodians and selecting what they believe together will work the best for the client's situation. The Director & Portfolio Management staff will routinely review the pricing, fund availability, and flexibility of trading software of various custodians to ensure the custodians we offer to clients are reasonable options. This process is intended to assure that the custodians offered to our clients provide a reasonable cost, as well as the funds and trading flexibility required by our active asset management, as dictated by the portfolio management team. Pricing is a negligible factor in selecting a custodian due to our almost exclusive use of NTF mutual funds.

Not all investment advisers require or have a limited arrangement with the broker/dealers. Having a limited arrangement may result in costs to the client being higher or lower than if the client could select any broker/dealer outside of SFG's arrangements.

## **Review of Accounts**

### **A. Review**

A properly licensed representative will attempt to meet with all asset management clients at least annually to review their investment portfolio and to see if there has been a material change in the client's goals, objectives, or risk profile.

SFG: Reviews with clients are conducted by investment adviser representatives of SFG, referred to as Planners or Financial Advisors. Planners provide the client with current account information. They also discuss other investment options as necessary or as requested by the client. SFG has a procedure in place to monitor the annual review process. Fee plans are updated whenever requested by the client. The appropriate SFG representative will collect updated information and present an updated plan to the client.

Solicitors of SFG: SFG has solicitors who are not investment adviser representatives of SFG. For clients solicited by this arrangement, their reviews will be conducted by the investment adviser representative of the Solicitor. These clients will not meet with an investment adviser representative of SFG, unless requested by the client. SFG has a procedure in place to monitor the annual review process.

### **B. Reports**

Clients serviced by an investment adviser representative of SFG are given an aggregated account balance report of their accounts managed by SFG. In some cases, the report may also include accounts that are purchased through CAMAS, a broker-dealer, and are not advisory accounts. SFG uses IAS, an account aggregation software to produce these reports. SFG also provides a box chart report, a summary of the account reflecting values as of key dates and any deposits, withdrawals, and other activity in the account. Box charts are produced by SFG staff. Clients also receive statements on their accounts directly from the custodian holding their assets at least quarterly, sometimes monthly.

Clients referred to SFG by solicitors of SFG who are not investment adviser representatives of SFG, receive statements on their accounts directly from the custodian holding their assets at least quarterly, sometimes monthly. They do not receive the aggregated account balance report from produced through IAS or the box chart produced by SFG staff.

Clients are urged to compare the reports provided by SFG with those provided by the custodian.

## **Client Referrals and Other Compensation**

### **A. Fidelity**

SFG has entered into an Investment Advisor Custodial Support Services Agreement with Fidelity by which SFG has agreed to provide to Fidelity certain back office, administrative, custodial support and clerical services and in consideration for these services, Fidelity has agreed to pay SFG a fee on specified assets – namely no transaction fee (NTF) mutual fund assets (other than Fidelity mutual funds) in custody with Fidelity and held in non-IRA accounts. The fee is 0.15 percent of dollars invested in NTF mutual funds other than Fidelity funds.

This arrangement creates a conflict of interest for SFG in that SFG has a financial incentive to use NTF mutual funds for which we receive additional compensation. This has the potential to influence SFG's strategy building decisions when deciding which funds to use. In addition, it creates an incentive for SFG to encourage its clients to select Fidelity as custodian and/or executing broker, due to the financial incentive. The arrangement is more fully described in the sections above titled "Fees and Compensation," "Directed Brokerage".

### **B. Trust Company of America**

SFG has also entered into an agreement with Trust Company of America (TCA). SFG uses the services of Trust Company of America as one of the custodians that SFG may recommend to our clients. Trust Company of America offers institutional custody, trading and other services for registered investment advisors and their clients. All equity trade executions for Trust Company of America accounts will clear through ConverEx Group, LLC. As part of this service Trust Company of America provides advisor with software and services to help manage the assets in client accounts as well as to assist in monitoring and servicing the accounts. Trust Company of America also may provide services that assist Advisor in managing and develop our business as well as arrange for such assistance by third parties. These services may be provided at no or reduced costs to advisor as part of our business relationship with Trust Company of America.

TCA has established a client reporting fund to assist SFG in its growth strategy. TCA will annually fund \$13,000 to be used for client reporting in each year that SFG's aggregate assets at TCA are greater than \$85,000,000. TCA offers an additional \$4,000 in the client

reporting fund if/when SFG reaches \$125,000,000 in assets under management at TCA. This fund will be available on an annual basis as long as SFG maintains aggregate assets under custody at TCA in the amount of \$125,000,000 or greater. Meeting these benchmarks of assets under custody at TCA provides SFG with direct financial benefit. Clients should be aware that the receipt of economic benefits by Advisor or its related persons in and of itself creates a conflict of interest and may indirectly influence the Advisor's recommendations relating to custody services. The benefits received under this agreement are used to benefit all clients and not just those clients maintaining accounts at one of the custodians SFG recommends.

Increasing the amount of assets under custody at TCA also provides SFG clients with a reduced annual asset fee for their assets held at TCA. As part of the agreement, when SFG reaches assets under management benchmarks at TCA, TCA has agreed to reduce the maximum custodian charge to clients maintaining accounts at TCA. Currently, as long as SFG maintains \$50,000,000 or more in assets at TCA, then TCA's custodian fee is reduced from .24% to .22%. Currently, as long as SFG maintains at least 85% of SFG's total assets under management with TCA in no-transaction fee (NTF) mutual funds, then TCA's custodian fee is waived. If at any time SFG maintains \$100,000,000 or more in assets at TCA, the custodian fee will be waived as long as SFG maintains at least 80% of its total assets under management with TCA in no-transaction fee (NTF) mutual funds. This fee reduction benefits SFG's clients. Finally, TCA will reimburse any client up to \$75 per account for moving their accounts to TCA from Fidelity during 2015.

Although these incentives could create a conflict of interest by influencing the custodian SFG recommends or recommending that clients invest in NTF funds, as part of its fiduciary duties to clients, Advisor endeavors at all times to put the interests of its clients first.

### **C. Other**

SFG may receive from various broker-dealers, without cost to SFG, computer software and related systems support, which allow SFG to better monitor client accounts maintained at that custodian. SFG may receive the software and related support without cost because SFG renders investment management services to clients that, in the aggregate, maintain a certain level of assets at the various broker-dealers. Specifically, SFG may receive the following benefits: receipt of duplicate client confirmations and bundled duplicate statements, access to an electronic communication network for client order entry and account information and discounts for the purchase of software.

#### **D. Solicitor Compensation**

SFG maintains solicitor relationships with other registered investment advisers. Investment adviser representatives of these solicitors may solicit business on behalf of SFG. The solicitors and their representatives share in the fees paid by the clients they solicit.

#### **E. Ossian State Bank**

SFG receives client referrals from and/or provides client referrals to Ossian State Bank. SFG does not pay or receive any compensation in connection with such referrals. However, Ossian State Bank may compensate its employees for various referrals, including referrals to SFG. Although SFG has no influence or control over the bank's referral arrangements with the bank's employees, prospective clients referred to SFG by Ossian State Bank's employees should understand that such referrals may be, at least in part, motivated by financial gain and not entirely unbiased.

## Custody

SFG has custody of client funds only to the extent that SFG debits clients' accounts for our asset management fee. Clients receive at least quarterly, sometimes monthly, statements directly from the custodian holding their assets and should carefully review those statements. SFG, from time to time, provides account information to clients in the form of an aggregated account balance report produced using IAS and a box chart report produced by SFG staff.

SFG urges its clients to compare the account statements they receive from the qualified custodian with those reports they receive from SFG.

## **Investment Discretion**

Asset management clients provide SFG with discretionary authority to determine the funds to buy or sell in their accounts according to our Client Engagement Agreement or Advisory Agreement executed by the client and SFG. SFG does not accept discretionary authority to choose the broker, dealer, or commissions to be paid. All trades will be effected through the designated custodian/broker as recommended by SFG and selected by the client. Clients are able to place reasonable restrictions on the management of their accounts either at the time of opening the account or subsequently, in writing.



### **Voting Client Securities**

SFG does not vote client proxies. Clients will receive any proxies directly from the fund company. It is the client's responsibility to vote his/her proxies. SFG does not assist clients with this process. Clients may request a copy of SFG's proxy voting policy.

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| <b>Financial Information</b> |
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| <p>Neither the Advisor nor any of its principals has ever filed a bankruptcy petition and have no financial information to report. Nor do any of them have any financial condition which would be reasonably likely to impair their ability to meet contractual commitments. Finally, SFG does not accept more than \$1,200 more than six months in advance.</p> |
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## **Additional Information**

### **Shelton Financial Group, Inc. Privacy Statement**

Shelton Financial Group (SFG), an independent registered investment adviser, is committed to safeguarding the confidential information of our clients. We hold all personal information provided to our firm in the strictest confidence. These records include all personal information that we collect from you in connection with any of the services provided by SFG. We have never disclosed information to nonaffiliated third parties, except as permitted by law, and do not anticipate doing so in the future. If we were to anticipate such a change in firm policy, we would be prohibited under the law from doing so without advising you first. You would be given at least a 30 day period of time to respond to an “opt out” notice prior to the sharing of any of your personal nonpublic information. We use health and financial information that you provide to us to help you meet your personal financial goals while guarding against any real or perceived infringements of your rights of privacy. Our policy with respect to personal information about you is listed below.

- ☐ We limit employee and agent access to information only to those who have a business or professional reason for knowing and only to nonaffiliated parties as permitted by law. (For example, federal regulations permit us to share a limited amount of information about you with a brokerage firm in order to execute securities transactions on your behalf or so that our firm can discuss your financial situation with your accountant or attorney.) SFG requires a Privacy Authorization form from each client listing those outside parties – individuals or firms - the client grants permission for SFG to share information with, such as accountants and attorneys.
- ☐ We maintain a secure office and computer environment to ensure that your information is not placed at unreasonable risk.
- ☐ The categories of nonpublic personal information that we collect from a client depend upon the scope of the client engagement. It may include information about your personal finances such as annual income, assets/liabilities, account numbers, account balances, information about your health to the extent that it is needed for the planning process, information about transactions between you and third parties, information from consumer reporting agencies, and personal identity information such as social security number, date of birth, address, etc.
- ☐ For unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors, we also require strict

confidentiality in our agreements with them and expect them to keep this information private. Federal and state regulators also may review firm records as permitted under law.

- We do not provide your personally identifiable information to mailing list vendors or solicitors for any purpose.
- Personally identifiable information about you will be maintained during the time you are a client, and for the required time thereafter that such records are required to be maintained by federal and state securities laws. After this required period of record retention, all such information will be destroyed.

If you have any questions, please contact Jason White at (260) 436-7006 or at [jasonwhite@sheltonfinancial.net](mailto:jasonwhite@sheltonfinancial.net).

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 3993 / January 13, 2015**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 74044 / January 13, 2015**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-16334**

**In the Matter of**

**SHELTON FINANCIAL  
GROUP, INC. and  
JEFFREY SHELTON,**

**Respondents.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS  
PURSUANT TO SECTIONS 203(e), 203(f),  
AND 203(k) OF THE INVESTMENT  
ADVISERS ACT OF 1940 AND SECTION  
15(b)(6) OF THE SECURITIES EXCHANGE  
ACT OF 1934, MAKING FINDINGS, AND  
IMPOSING REMEDIAL SANCTIONS AND A  
CEASE-AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940 ("Advisers Act") and Section 15(b)(6) of the Securities Exchange Act of 1934 ("Exchange Act") against Shelton Financial Group, Inc. ("SFG") and Jeffrey Shelton ("Shelton") (collectively "Respondents").

**II.**

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the "Offers") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 203(e), 203(f), and 203(k) of the Investment Advisers Act of 1940 and Section 15(b)(6) of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

### III.

On the basis of this Order and Respondents' Offers, the Commission finds<sup>1</sup> that:

#### SUMMARY

1. This matter involves an investment adviser's failure to disclose compensation it received through an arrangement with a registered broker-dealer ("Broker") and conflicts arising from that compensation. The Broker agreed to pay SFG for all client assets that were invested in certain mutual funds. In exchange, SFG agreed to provide certain custodial support services to the Broker. The agreement created incentives for SFG to favor particular mutual funds over other investments and to favor the Broker over other brokers when giving investment advice to its clients. SFG initially did not disclose this arrangement and the resulting conflict of interest to its clients. When SFG first disclosed the arrangement, its description was inadequate. While SFG later corrected the disclosure, by failing to properly disclose the arrangement and its attendant conflict of interest, SFG and Shelton violated Sections 206(2) and 207 of the Advisers Act. In addition by not adopting policies and procedures reasonably designed to address – among other things – conflicts of interest, SFG violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder and Shelton caused these violations.

#### RESPONDENTS

2. SFG is an Indiana corporation with its principal place of business in Fort Wayne, Indiana. SFG registered with the Commission as an investment adviser in May 2009. As of March 31, 2014, SFG reported \$259.2 million of assets under management.

3. Shelton, age 48, is a resident of Markle, Indiana. He is the founder, sole owner, and president of SFG. He was also SFG's Chief Compliance Officer from 2004 until June 2010. He holds Series 6, 63, and 65 licenses. Since July 2009, he has been a registered representative of Comprehensive Asset Management and Servicing, Inc., a broker-dealer registered with the Commission.

#### FACTS

4. After working for several years as a registered representative for a broker-dealer, Shelton started SFG in 1995. SFG was initially a one-man shop and Shelton was responsible for finding and developing client relationships, preparing marketing materials, and selecting and implementing investment strategies. He was also SFG's Chief Compliance Officer. As SFG's business grew, Shelton hired new employees. This included a Chief Operating Officer in June 2007 who later became Chief Compliance Officer in June 2010 (the "CCO").

5. Shelton and later the CCO were responsible for preparing, reviewing, and updating SFG's compliance policies, regulatory filings (including, but not limited to, Form ADV, Form ADV Part II and Schedule F, and Form ADV Part 2A ("Brochure")), and client advisory

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<sup>1</sup> The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

agreements. During an on-site exam in 2012, Commission staff discovered that SFG had inadequate policies and procedures regarding, among other things, conflicts of interest and its compliance policies were not tailored to its business.

6. The Broker became a custodian for SFG clients in September 2008. As part of fee negotiations, the Broker proposed an addendum to the contract in which the Broker agreed to pay SFG a certain percentage of every dollar that its clients invested in No Transaction Fee (“NTF”) mutual funds other than proprietary funds advised by affiliates of the Broker. In exchange, SFG agreed to perform certain “custodial support services” such as facilitating asset transfers, updating client information for the Broker, handling client inquiries, and assisting clients with paperwork.

7. The addendum was memorialized in a “Custodial Support Services Agreement” (“CSSA”). However, due to an administrative oversight, the CSSA was not formally signed until November 2013. Despite this clerical mistake, SFG provided administrative and custodial support services on behalf of the Broker since October 2008. SFG received its first custodial support payment from the Broker in May 2009 and continues to receive such payments through the present.

8. From May 2009 through March 2010, SFG did not disclose the existence of the CSSA in its Forms ADV – a disclosure form filed with the Commission and made available to clients – or in its advisory agreements with clients. Item 13.A of former Form ADV Part II specifically requires investment advisers to disclose any arrangement where they receive direct or indirect compensation in connection with giving advice to clients. SFG’s Item 13.A disclosures during this period did not disclose the CSSA or custodial support arrangement with the Broker.

9. In March 2010, SFG revised its Form ADV Part II to disclose that it “receiv[ed] an administrative reimbursement from [the Broker] for assisting in the paperwork process of opening new accounts with [the Broker].” This same language was used in SFG’s Form ADV Part II dated June 22, 2010.

10. Item 14.A of Form ADV Part 2A, in effect for SFG as of March 2011, requires advisers to disclose compensation received from third-parties for providing investment advisory services to clients, as well as the resulting conflicts and how the adviser addresses them.<sup>2</sup> SFG prepared and distributed its first Brochure in March 2011. When drafting the Brochure, the CCO relied on language from prior Forms ADV Part 2 and Schedules F that were reviewed and signed by Shelton. SFG’s Item 14.A disclosures did not mention the CSSA and also omitted a reference to an “administrative reimbursement” that had been included in prior Forms ADV. Advisory clients were thus unaware that because of the CSSA, SFG might have a bias in favor of non-broker NTF funds over other investments that would not generate revenue for SFG, leading to potentially conflicted investment advice. Clients were also unaware of SFG’s conflict of interest in selecting the Broker as custodian over other brokers that did not offer compensation to SFG.

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<sup>2</sup> Form ADV was amended in 2010, requiring most Commission-registered advisers to file and start using client disclosure brochures that met the requirements of new Part 2A early in 2011. See IA-3060 (July 28, 2010), <http://www.sec.gov/rules/final/2010/ia-3060.pdf>.

11. SFG disclosed the CSSA in a December 28, 2011 Brochure. This Brochure informs clients that SFG “entered into a [CSSA] with [the Broker] by which SFG agreed to provide ... certain back-office ... and clerical services. .... [I]n consideration for these services, [the Broker] has agreed to pay SFG a fee on specified assets – namely NTF mutual fund assets (other than [the Broker’s] mutual funds) ....” However, SFG still did not disclose a conflict of interest attendant to this arrangement or how the firm addressed such a conflict. A month after receiving a deficiency letter from the staff, SFG disclosed the conflict of interest in an October 10, 2013 Brochure.

### VIOLATIONS OF LAW

12. Section 206(2) of the Advisers Act makes it unlawful for an adviser to use instruments of interstate commerce to engage in any transaction, practice, or course of business that operates as a fraud or deceit upon any client or prospective client. Scienter is not required to establish a violation of Section 206(2), but rather may rest on a finding of negligence. *SEC v. Steadman*, 967 F.2d 636, 643 n.5 (D.C. Cir. 1992) (citing *SEC v. Capital Gains Research Bureau, Inc.*, 375 U.S. 180, 194-95 (1963)). Section 207 of the Advisers Act, among other things, makes it unlawful for a person to “willfully to omit to state ... material fact[s]” in registration applications and reports filed with the Commission. As a result of the negligent conduct described above, SFG and Shelton willfully<sup>3</sup> violated Sections 206(2) and 207 of the Advisers Act.

13. Section 206(4) of the Advisers Act makes it “unlawful for any investment adviser ... to engage in any act, practice, or course of business which is fraudulent, deceptive, or manipulative.” Rule 206(4)-7 under the Advisers Act requires registered investment advisers to, among other things, “[a]dopt and implement written policies and procedures, reasonably designed to prevent violation” of the Advisers Act and its rules. As a result of the negligent conduct described above, SFG willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder and Shelton caused these violations by SFG.

### RESPONDENTS’ REMEDIAL EFFORTS

14. In determining to accept the Offers, the Commission considered remedial acts promptly undertaken by Respondents and cooperation afforded the Commission staff.

### UNDERTAKINGS

Respondents have undertaken to:

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<sup>3</sup> A willful violation of the securities laws means merely “that the person charged with the duty knows what he is doing.” *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor “also be aware that he is violating one of the Rules or Acts.” *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).



15. Independent Compliance Consultant. With respect to the retention of an independent compliance consultant, SFG has agreed to the following undertakings:

a. SFG shall retain, within ninety (90) days of the entry of this Order, the services of an independent compliance consultant (the “Independent Consultant”) that is not unacceptable to the Commission staff. The Independent Consultant’s compensation and expenses shall be borne exclusively by SFG.

b. SFG shall provide to the Commission staff, within ninety (90) days of the entry of this Order, a copy of the engagement letter detailing the Independent Consultant’s responsibilities, which shall include comprehensive compliance reviews as described below in this Order. SFG shall require that the Independent Consultant conduct by the end of the first quarter of 2015 and again at the end of the first quarter of 2016 a comprehensive review of SFG’s supervisory, compliance, and other policies and procedures reasonably designed to detect and prevent breaches of the federal securities laws by SFG and its employees.

c. SFG shall require that, within forty-five (45) days from the end of the applicable quarterly period, the Independent Consultant shall submit a written and detailed report of its findings to SFG and to the Commission staff (the “Report”). SFG shall require that each Report include a description of the review performed, the names of the individuals who performed the review, the conclusions reached, the Independent Consultant’s recommendations for changes in or improvements to SFG’s policies and procedures and/or disclosures to clients, and a procedure for implementing the recommended changes in or improvements to SFG’s policies and procedures and/or disclosures.

d. SFG shall adopt all recommendations contained in each Report within sixty (60) days of the applicable Report; provided, however, that within forty-five (45) days after the date of the applicable Report, SFG shall in writing advise the Independent Consultant and the Commission staff of any recommendations that SFG considers to be unduly burdensome, impractical, or inappropriate. With respect to any recommendation that SFG considers unduly burdensome, impractical or inappropriate, SFG need not adopt that recommendation at that time but shall propose in writing an alternative policy, procedure or system designed to achieve the same objective or purpose.

e. As to any recommendation with respect to SFG’s policies and procedures on which SFG and the Independent Consultant do not agree, SFG and the Independent Consultant shall attempt in good faith to reach an agreement within sixty (60) days after the date of the applicable Report. Within fifteen (15) days after the conclusion of the discussion and evaluation by SFG and the Independent Consultant, SFG shall require that the Independent Consultant inform SFG and the Commission staff in writing of the Independent Consultant’s final determination concerning any recommendation that SFG considers to be unduly burdensome, impractical, or inappropriate. SFG shall abide by the determinations of the Independent Consultant and, within sixty (60) days after final agreement between SFG and the Independent Consultant or final determination by the

Independent Consultant, whichever occurs first, SFG shall adopt and implement all of the recommendations that the Independent Consultant deems appropriate.

f. Within ninety (90) days of SFG's adoption of all of the recommendations in a Report that the Independent Consultant deems appropriate, as determined pursuant to the procedures set forth herein, SFG shall certify in writing to the Independent Consultant and the Commission staff that SFG has adopted and implemented all of the Independent Consultant's recommendations in the applicable Report. Unless otherwise directed by the Commission staff, all Reports, certifications, and other documents required to be provided to the Commission staff shall be sent to Paul Montoya, Assistant Regional Director, Asset Management Unit, Chicago Regional Office, Securities and Exchange Commission, 175 W. Jackson Blvd., Suite 900, Chicago, IL, 60604, or such other address as the Commission staff may provide.

g. SFG shall cooperate fully with the Independent Consultant and shall provide the Independent Consultant with access to such of its files, books, records, and personnel as are reasonably requested by the Independent Consultant for review.

h. To ensure the independence of the Independent Consultant, SFG:

- (1) Shall not have the authority to terminate the Independent Consultant or substitute another independent compliance consultant for the initial Independent Consultant, without the prior written approval of the Commission staff; and
- (2) Shall compensate the Independent Consultant and persons engaged to assist the Independent Consultant for services rendered pursuant to this Order at their reasonable and customary rates.

i. SFG shall require the Independent Consultant to enter into an agreement that provides that for the period of engagement and for a period of two (2) years from completion of the engagement, the Independent Consultant shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with SFG, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such. The agreement will also provide that the Independent Consultant will require that any firm with which the Independent Consultant is affiliated or of which the Independent Consultant is a member, and any person engaged to assist the Independent Consultant in the performance of the Independent Consultant's duties under this Order shall not, without prior written consent of the Commission staff, enter into any employment, consultant, attorney-client, auditing or other professional relationship with SFG, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two (2) years after the engagement.

16. Recordkeeping. SFG shall preserve for a period of not less than six (6) years from the end of the fiscal year last used, the first two (2) years in an easily accessible place, any record of SFG's compliance with the undertakings set forth in this Order.

17. Separation of Chief Compliance Officer From Other Officer Positions. For a period of five (5) years from the entry of this Order, SFG shall employ a Chief Compliance Officer whose sole responsibility will be serving in that position. During this period, the person SFG designates as Chief Compliance Officer shall not simultaneously hold any other officer or employee position at SFG while serving as Chief Compliance Officer. Shelton shall not serve or act as SFG's Chief Compliance Officer for a period of five (5) years from the entry of this Order.

18. Compliance Training. Within one year of entry of this Order, SFG shall require its Chief Compliance Officer to complete thirty (30) hours of compliance training relating to the Advisers Act.

19. Notice to Advisory Clients. Within thirty (30) days of the entry of this Order, SFG shall provide a copy of the Order to each of SFG's existing advisory clients as of the entry of this Order via mail, e-mail, or such other method as may be acceptable to the Commission staff, together with a cover letter in a form not unacceptable to the Commission staff. For a period of one (1) year, SFG shall provide a copy of the Order to all of its prospective clients.

20. Deadlines. For good cause shown, the Commission staff may extend any of the procedural dates relating to the undertakings. Deadlines for procedural dates shall be counted in calendar days, except that if the last day falls on a weekend or federal holiday, the next business day shall be considered to be the last day.

21. Certifications of Compliance by Respondents. SFG shall certify, in writing, compliance with its undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and SFG agrees to provide such evidence. The certification and supporting material shall be submitted to Paul Montoya, Assistant Regional Director, Asset Management Unit, Chicago Regional Office, Securities and Exchange Commission, 175 W. Jackson Blvd., Suite 900, Chicago, IL, 60604, or such other address as the Commission staff may provide, with a copy to the Office of Chief Counsel of the Enforcement Division, 100 F Street, NE Washington, DC 20549, no later than sixty (60) days from the date of the completion of the undertakings.

#### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offers.

Accordingly, pursuant to Sections 203(e), 203(f) and 203(k) of the Advisers Act and Section 15(b)(6) of the Exchange Act, it is hereby ORDERED that:

A. Respondents SFG and Shelton shall cease and desist from committing or causing any violations and any future violations of Sections 206(2), 206(4), and 207 of the Advisers Act and Rule 206(4)-7 thereunder.

B. Respondents SFG and Shelton are censured.

C. Respondents SFG and Shelton on a joint and several basis shall, within fourteen (14) days of the entry of this Order, pay total disgorgement of \$99,114.19 and prejudgment interest of \$20,952.91 to the Commission. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. Payment must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying SFG and Shelton as Respondents in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Paul Montoya, Assistant Regional Director, Asset Management Unit, Chicago Regional Office, Securities and Exchange Commission, 175 W. Jackson Blvd., Suite 900, Chicago, IL, 60604.

D. Respondents SFG and Shelton on a joint and several basis shall, within fourteen (14) days of the entry of this Order, pay a civil penalty in the total amount of \$70,000 to the Commission. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. 3717. Payment must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying SFG and Shelton as Respondents in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Paul Montoya, Assistant Regional Director, Asset Management Unit, Chicago Regional Office, Securities and Exchange Commission, 175 W. Jackson Blvd., Suite 900, Chicago, IL, 60604.

E. Respondents SFG and Shelton shall comply with the undertakings enumerated in Section III, paragraphs 15 to 21 above.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent Shelton, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent Shelton under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent Shelton of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields  
Secretary

**Jeffrey A. Shelton**

**Shelton Financial Group, Inc.**

7617 West Jefferson Boulevard, Fort Wayne, IN 46804  
260-436-7006

3/20/2015

**FORM ADV PART 2B  
BROCHURE SUPPLEMENT**

This brochure supplement provides information about Jeffrey A. Shelton that supplements the Shelton Financial Group, Inc. brochure. You should have received a copy of that brochure. Please contact Jason White at (260) 436-7006 or at [jasonwhite@sheltonfinancial.net](mailto:jasonwhite@sheltonfinancial.net) if you did not receive Shelton Financial Group's brochure or if you have any questions about the contents of this supplement.

Additional information about Jeffrey A. Shelton is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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### ***Educational Background and Business Experience***

#### **Jeffrey A. Shelton**

*Year of Birth:* 1965

*Formal Education after High School:*

- Ball State University, B.S. Degree, Business Management, 1988

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*Business Background for the Previous Five Years:*

- Shelton Financial Group, Inc., President, 03/1996 to present

*Certifications:*



### ***Disciplinary Information***

In October of 2012, the Securities and Exchange Commission (“SEC”) conducted an examination of our Firm. That examination identified certain deficiencies relating to certain former versions of this document, our Brochure. The Brochure is required to be filed with the SEC and updated at least annually, as well as given to our clients and prospective clients at the beginning of the adviser-client relationship. The Brochure must contain certain information about our Firm, including information regarding any material relationships we have with third parties that may create conflicts of interest. The SEC examination concluded that the Firm did not make proper disclosure to clients and prospective clients of the Firm’s arrangement with a third-party custodian, Fidelity, from which the Firm received payments for providing custodial support services such as facilitating asset transfers, updating client information, handling client inquiries, and assisting clients with paperwork, to name a few.

On January 13, 2015, with the consent of the Firm and its President, Jeff Shelton, the SEC entered an Order Instituting Administrative Proceedings against the Firm and Mr. Shelton. The Firm and Mr. Shelton consented to the Order without admitting or denying the findings contained therein, except as to the jurisdiction of the SEC.

Although the arrangement between the Firm and Fidelity was and is permissible, the Firm was required to disclose to its clients and prospective clients not only that the Firm was receiving payments from Fidelity, but also the conflict of interest the arrangement created. The order found that the Firm initially negligently failed to disclose the arrangement and the resulting conflict of interest, and when the Firm later did so, it negligently failed to describe the arrangement and the conflict adequately. The order did not find that the Firm or Mr. Shelton acted intentionally.

The order found that the Firm and Mr. Shelton violated Sections 206(2) and 207 of the Investment Advisers Act of 1940 and that Mr. Shelton caused the Firm to violate Section 206(4) of the Investment Advisers Act and Rule 206(4)-7 adopted under the same act. The order imposed civil penalties against the Firm and Mr. Shelton in the amount of \$70,000 and required them to pay \$99,114.19, plus interest of \$20,952.91, in disgorgement. The order also censured the Firm and Mr. Shelton and required the Firm to commit to several undertakings relating to compliance. A complete copy of the order is attached to this Brochure.

In April 2014 the Firm made enhanced disclosures of the Fidelity arrangement in the Brochure, and the present Brochure contains disclosures and discussions of the arrangement in the sections titled “Fees and Compensation” and “Brokerage Practices”.

### ***Other Business Activities***

Jeffrey Shelton is a registered representative of Comprehensive Asset Management & Servicing, Inc. (“CAMAS”) and may sell securities through them. This creates a conflict of interest in that Jeffrey could sell securities through CAMAS and earn commissions when a fee-based managed account may be more suitable. If the client has enough assets to meet our minimum account size of \$30,000, they may choose to use our asset management services, based on their suitability profile. Jeffrey Shelton may receive trail fees from the sale of mutual funds. This may give him incentive to recommend products based on compensation received over client needs.

In addition, as owner of SFG Jeffrey receives a portion of all broker-dealer commissions generated by other representatives of SFG.

SFG is also an insurance agency licensed with the state of Indiana. Jeffrey is a licensed insurance agent, selling insurance products including life insurance, long term care insurance, and fixed annuities through SFG. SFG and Jeffrey receive commissions for the sale of insurance products. This creates a conflict of interest in that it may influence the recommendation made by Jeffrey to the client. However, the client is able to purchase insurance products through SFG or through another agent/agency of their choice.

### ***Additional Compensation***

SFG and Jeffrey may receive from various broker-dealers, without cost to SFG or Jeffrey, computer software and related systems support, which allow SFG and Jeffrey to better monitor client accounts maintained at that custodian. SFG and Jeffrey may receive the software and related support without cost because SFG renders investment management services to clients that, in the aggregate, maintain a certain level of assets at the various broker-dealers. Specifically, SFG and Jeffrey may receive the following benefits: receipt of duplicate client confirmations and bundled duplicate statements, access to an electronic communication network for client order entry and account information and discounts for the purchase of software.

### ***Supervision***

Jeffrey Shelton, as an investment adviser representative of SFG, is supervised by SFG's Chief Compliance Officer, Jason E. White, 260-436-7006. All new business is reviewed by the CCO prior to processing to review what action is being taken and suitability of the transaction.

**Al Lindsten**

**Shelton Financial Group, Inc.**

7617 West Jefferson Boulevard  
260-436-7006

3/20/2015

**FORM ADV PART 2B  
BROCHURE SUPPLEMENT**

This brochure supplement provides information about Al Lindsten that supplements the Shelton Financial Group, Inc. brochure. You should have received a copy of that brochure. Please contact Jason White at (260) 436-7006 or at [jasonwhite@sheltonfinancial.net](mailto:jasonwhite@sheltonfinancial.net) if you did not receive Shelton Financial Group's brochure or if you have any questions about the contents of this supplement.

Additional information about Al Lindsten is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## ***Educational Background and Business Experience***

### **Al Lindsten**

*Year of Birth:* 1954

*Formal Education after High School:*

- Wheaton College, B.A. Degree, Economics, 1977
- Northwestern University, M.B.A., Finance & Accounting, 1985

*Business Background for the Previous Five Years:*

- Shelton Financial Group, Inc., Planner, 02/2007 to present
- cfd Investments, Representative, 02/2006 to 02/2007

*Certifications:*

- Certified Financial Planner®, CFP®

The CFP® designation requires a bachelor's degree or higher from an accredited college or university, plus additional college-level program of study in personal financial planning, passing examinations, three years of professional experience in the financial planning process, and agreeing to adhere to the CFP board's Standards of Professional Conduct.



***Disciplinary Information***

Al Lindsten has no disciplinary information to report.

### ***Other Business Activities***

Al Lindsten is a registered representative of Comprehensive Asset Management & Servicing, Inc. (“CAMAS”) and may sell securities through them. This creates a conflict of interest in that Al could sell securities through CAMAS and earn commissions when a fee-based managed account may be more suitable. If the client has enough assets to meet our minimum account size of \$30,000, they may choose to use our asset management services, based on their suitability profile. Al Lindsten may receive trail fees from the sale of mutual funds. This may give him incentive to recommend products based on compensation received over client needs.

***Additional Compensation***

This item is not applicable to Al Lindsten.

### ***Supervision***

Al Lindsten, as an investment adviser representative of SFG, is supervised by SFG's Chief Compliance Officer, Jason E. White, 260-436-7006. All new business is reviewed by the CCO prior to processing to review what action is being taken and suitability of the transaction.

**Brian L. Nieuwlandt**

**Shelton Financial Group, Inc.**

7617 West Jefferson Boulevard, Fort Wayne, IN 46804  
260-436-7006

3/20/2015

**FORM ADV PART 2B  
BROCHURE SUPPLEMENT**

This brochure supplement provides information about Brian L. Nieuwlandt that supplements the Shelton Financial Group, Inc. brochure. You should have received a copy of that brochure. Please contact Jason White at (260) 436-7006 or at [jasonwhite@sheltonfinancial.net](mailto:jasonwhite@sheltonfinancial.net) if you did not receive Shelton Financial Group's brochure or if you have any questions about the contents of this supplement.

Additional information about Brian L. Nieuwlandt is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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### ***Educational Background and Business Experience***

#### **Brian Nieuwlandt**

*Year of Birth:* 1966

*Formal Education after High School:*

- None

*Business Background for the Previous Five Years:*

- Shelton Financial Group, Inc., Planner, 08/2010 to present
- PFS Investments, Representative, 07/2006 to 08/2010

*Certifications:*

- Retirement Income Certified Professional®, RICP®

The RICP® designation requires completing three courses – Retirement Income Process, Strategies & Solutions; Sources of Retirement Income; and Managing the Retirement Income Plan – and passing an examination over each course.

***Disciplinary Information***

Brian Nieuwlandt has no disciplinary information to report.



### ***Other Business Activities***

Brian Nieuwlandt is a registered representative of Comprehensive Asset Management & Servicing, Inc. (“CAMAS”) and may sell securities through them. This creates a conflict of interest in that Brian could sell securities through CAMAS and earn commissions when a fee-based managed account may be more suitable. If the client has enough assets to meet our minimum account size of \$30,000, they may choose to use our asset management services, based on their suitability profile. Brian Nieuwlandt may receive trail fees from the sale of mutual funds. This may give him incentive to recommend products based on compensation received over client needs.

SFG is also an insurance agency licensed with the state of Indiana. Brian is a licensed insurance agent, selling insurance products including life insurance, long term care insurance, and fixed annuities through SFG. SFG and Brian receive commissions for the sale of insurance products. This creates a conflict of interest in that it may influence the recommendation made by Brian to the client. However, the client is able to purchase insurance products through SFG or through another agent/agency of their choice.

### ***Additional Compensation***

SFG and Brian may receive from various broker-dealers, without cost to SFG or Brian, computer software and related systems support, which allow SFG and Brian to better monitor client accounts maintained at that custodian. SFG and Brian may receive the software and related support without cost because SFG renders investment management services to clients that, in the aggregate, maintain a certain level of assets at the various broker-dealers. Specifically, SFG and Brian may receive the following benefits: receipt of duplicate client confirmations and bundled duplicate statements, access to an electronic communication network for client order entry and account information and discounts for the purchase of software.

### ***Supervision***

Brian Nieuwlandt, as an investment adviser representative of SFG, is supervised by SFG's Chief Compliance Officer, Jason E. White, 260-436-7006. All new business is reviewed by the CCO prior to processing to review what action is being taken and suitability of the transaction.

**John J. Caffray**

**Shelton Financial Group, Inc.**

7617 West Jefferson Boulevard, Fort Wayne, IN 46804  
260-436-7006

3/20/2015

**FORM ADV PART 2B  
BROCHURE SUPPLEMENT**

This brochure supplement provides information about John J. Caffray that supplements the Shelton Financial Group, Inc. brochure. You should have received a copy of that brochure. Please contact Jason White at (260) 436-7006 or at [jasonwhite@sheltonfinancial.net](mailto:jasonwhite@sheltonfinancial.net) if you did not receive Shelton Financial Group's brochure or if you have any questions about the contents of this supplement.

Additional information about John J. Caffray is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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### ***Educational Background and Business Experience***

**John J. Caffray**

*Year of Birth:* 1964

*Formal Education after High School:*

- B.A. in Graphic Arts Management, Ball State University, 1988

*Business Background for the Previous Five Years:*

- NAI Harding Dahm, Managing Director of Brokerage, 01/2001 to 4/30/2014

***Disciplinary Information***

John Caffray has no disciplinary information to report.

### ***Other Business Activities***

John Caffray is a registered representative of Comprehensive Asset Management & Servicing, Inc. ("CAMAS") and may sell securities through them. This creates a conflict of interest in that John could sell securities through CAMAS and earn commissions when a fee-based managed account may be more suitable. If the client has enough assets to meet our minimum account size of \$30,000, they may choose to use our asset management services, based on their suitability profile. John Caffray may receive trail fees from the sale of mutual funds. This may give him incentive to recommend products based on compensation received over client needs.

SFG is also an insurance agency licensed with the state of Indiana. John is a licensed insurance agent, selling insurance products including life insurance, long term care insurance, and fixed annuities through SFG. SFG and John receive commissions for the sale of insurance products. This creates a conflict of interest in that it may influence the recommendation made by John to the client. However, the client is able to purchase insurance products through SFG or through another agent/agency of their choice.

John has revenue from past employment as a commission real estate sales representative that he continues to receive. It is anticipated that this revenue will make up at least 10% of his household income. However, he spends 0% of his time performing this activity. The revenue he receives is for past activity.



### ***Additional Compensation***

SFG and John may receive from various broker-dealers, without cost to SFG or John, computer software and related systems support, which allow SFG and John to better monitor client accounts maintained at that custodian. SFG and John may receive the software and related support without cost because SFG renders investment management services to clients that, in the aggregate, maintain a certain level of assets at the various broker-dealers. Specifically, SFG and John may receive the following benefits: receipt of duplicate client confirmations and bundled duplicate statements, access to an electronic communication network for client order entry and account information and discounts for the purchase of software.

### ***Supervision***

John Caffray, as an investment adviser representative of SFG, is supervised by SFG's Chief Compliance Officer, Jason E. White, 260-436-7006. All new business is reviewed by the CCO prior to processing to review what action is being taken and suitability of the transaction.