

**Chesney & Company, Inc.**

**d/b/a**

**Chesney & Company**

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**FORM ADV PART 2A  
BROCHURE**

**This brochure provides information about the qualifications and business practices of Chesney & Company, Inc.. If you have any questions about the contents of this brochure, please contact us at 888-426-2193. 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 Chesney & Company, 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 Chesney & Company, Inc. is 130644.**

**Chesney & Company, 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.**

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## **Advisory Business**

### **Description of Services and Fees**

We are a registered investment adviser based in Sheldon, South Carolina. We are organized as a sub-Chapter S corporation under the laws of the State of South Carolina. We have been providing investment advisory services since 1996. Sheila M. Chesney is our principal owner.

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we", "our" and "us" refer to Chesney & Company, Inc and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this brochure. As used in this brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

Chesney & Company is a boutique firm offering customized private wealth management to a target clientele. Our target client fits one of the following:

- Minimum investment assets of \$3M
- Complex situation with net worth exceeding \$5M
- High income with the potential to achieve \$3M in investment assets within a 3 – 5 year timeframe.

The determining factor in accepting clients into our firm are the complexity of their situation or their lack of time or financial expertise leading to a desire to engage the services of a trusted advisory firm.

Chesney & Company is compensated solely through fees paid by our client in order to avoid the potential conflicts of interest stemming from other financial remuneration. 'Fee-only' means that our revenue is derived solely from our clients. We do not accept any compensation in the form of commissions, referral fees, or product incentives.

### **Wealth Management Services**

Our wealth management strategy is an holistic engagement that serves the comprehensive financial needs of our client. The foundation of our engagement is financial planning that begins with assessing your goals and creating an initial financial plan and portfolio strategy designed to achieve those goals. We believe that ongoing financial planning is a critical success factor to the long-term creation of wealth. After the first years' engagement, we will review on an as-needed basis the critical areas of the plan including Asset Protection, Income Preservation, Investment Strategy and Estate Planning. Within this framework may be additional services such as tax planning, business strategy, charitable funding, education planning as the client situation demands.

Our Wealth Management engagement includes 20 hours of financial planning on an annual basis. Additional time is provided based on the specific requirement and is billed at our firm's hourly rate. .

Our fee for wealth management services is based on a percentage of your assets we manage and is set forth in the following fee schedule:

<b>Assets Under Management</b>	<b>Annual Fee*</b>
Up to \$5,000,000	1.25%
\$5,000,001 to \$10,000,000	1.00%
Over \$10,000,000	0.75%

*\*If you signed an agreement with our firm prior to 1/1/2011 you may be subject to a different fee schedule.*

Our fee is billed quarterly in arrears. Our engagement assumes management of all of the client's investment assets and includes up to 20 hours annual, ongoing financial planning. Assets that cannot be transferred will be billed separately and invoiced directly. The portfolio management fee is based on the average daily balance

in the portfolio over the previous quarter. Fees will be assessed pro rata depending on the date that the assets are transferred to the custodian or, in the case of assets that are not transferable, the billing date will be the date the assets are downloaded into our portfolio accounting software.

We will send you an invoice for the payment of our advisory fee, or we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy. We will also receive a duplicate copy of your account statements.

You may terminate the private wealth management engagement upon 30-days' written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client.

#### Investment Management Services

Our primary service is a full-service private wealth management engagement. However, in situations where the full service engagement is not appropriate but Chesney & Company does elect to manage the assets, the Investment Management Agreement is stipulated. This engagement applies to qualified plans, children or grandchildren of private wealth management clients and endowments/foundations. Our willingness to take you on as a client is based on the same criteria as a Wealth Management client. The defining difference is that the client or entity does not warrant financial planning services. There is no minimum for Investment Management clients and each situation is evaluated on its merits.

Our fee schedule for Investment Management is:

- 1.00% up to \$10M
- 0.75% over \$10M

Our process for working with Investment Management clients is the same as our Private Wealth Management clients in the Investment Strategy process. We will evaluate your current situation, help you define your goals and objectives, make recommendations for the strategy, create the Investment Policy Statement, implement the strategy, monitor/review and report to you on a quarterly basis and meet with you annually to update your plan.

The Investment Management client may elect to engage our firm for a complete (one-time) financial plan. Our fee for this plan is \$10,000 (the fee is due in increments as the plan is presented – 25% at engagement, 25% after the initial analysis, 25% after review and 25% when the final plan is delivered). If we agree within 12 months that the client is appropriate to become a Private Wealth Management client we will apply 50% of the fee paid for the financial plan toward the 1<sup>st</sup> year's wealth management fees on a pro-rata basis through the first year. The hourly fee for the financial plan under this engagement is \$250.00.

#### Hourly Project Fee

We provide ad-hoc or advanced planning services for projects that are outside the scope of the engagement agreement (for Wealth Management clients or for Investment Management clients). Upon request, we will meet with you to understand the request as well as the desired outcome, determine whether we can successfully execute the request, estimate the time cost and gain your agreement to proceed. Our hourly engagement agreement will apply for these engagements and our hourly fee is:

- Principal Time - \$360/hour
- Professional Time - \$240/hour
- Support Staff Time - \$120/hour
- Administrative Time - \$60/hour

We believe that hourly billing can be disadvantageous to our clients and therefore we put the onus on ourselves to correctly estimate the cost in time and labor for the project and will not exceed this amount. We believe in

100% transparency and will review our estimate with you prior to signing the engagement.

#### Pension Consulting Services

We may offer pension consulting services to Wealth Management clients as part of the comprehensive engagement. These services may include review of the existing plan, asset transfer assistance, asset allocation advice, performance monitoring and ongoing consulting. We do not provide administrative services to qualified plans, but will coordinate with the plan's third-party administrator and/or recordkeeping service. We will provide meaningful information and education regarding the retirement plan to the plan participants but do not provide individual planning or investment advice.

Qualified Plans are managed as pooled trusts custodied either with Charles Schwab & Company or with National Advisors Trust Company as appropriate. Our fee for management of Qualified Plans is the same as our Investment Management fee.

#### **Assets Under Management**

Up to \$10M

Over \$10M

#### **Annual Fee\***

1.00%

0.75%

*\*Portfolio Management Fees for accounts up to \$10 Million are not negotiable.*

Our pension services are part of the wealth management engagement and are covered under a separate Qualified Plan engagement agreement. We do not charge any additional fees for any other services provided to you in this engagement such as setup fees or employee education, among other services.

Fees are based on the market value of the assets on the last day of the quarter, adjusted for deposits and withdrawals. Fees will be assessed pro-rata in the event the pension consulting agreement is executed at any time other than the first day of a calendar quarter. Payment of fees will be made by the qualified and independent custodian holding the clients' funds and securities as detailed above.

All client accounts are regulated under the Employee Retirement Income Securities Act ("ERISA"). We will provide consulting services to the plan fiduciaries as described above. Typically, the named plan fiduciary must make the ultimate decision as to retaining the services of our firm. The plan fiduciary is free to seek independent advice about the appropriateness of any recommended services for the plan.

You may terminate the pension consulting engagement within five days of the date of acceptance without penalty to the client. Thereafter, either party may terminate the pension consulting agreement by providing 30 days written notice to the other party. In the event the agreement is terminated, you will incur charges for bona fide pension consulting services provided prior to such cancellation and fees will be due and payable by the client. Refunds are not applicable as fees are payable in arrears.

#### Fund Management - Red Tail Real Estate Opportunity Fund I, LLC

Chesney & Company created the Red Tail Real Estate Opportunity Fund I, LLC in 2007. We serve as the investment adviser and sole Manager to Red Tail Real Estate Opportunity Fund I, LLC (the "Fund"), a real estate investment partnership, which is offered to a limited number of qualified investors. We have the authority and responsibility to make all investment and operating decisions for the Fund, including deciding which investments to buy and sell, when to buy and sell and in what amounts, in accordance with the investment program and investment restrictions set forth from time to time in the confidential offering memorandum of the Fund. In addition, we have the authority and responsibility to perform various other functions, including selecting brokers and dealers and executing securities transactions. This fund has its final closing in 12/2007 and all funds were invested between 2007 – 2011. The Manager is currently managing these assets to distribution.

The Fund's objective was to achieve a high return (15 - 18%+ annually net of all fees) by investing in a portfolio of individual opportunistic real estate projects including land and development projects such as

apartments, office buildings including medical office, shopping centers, hotels. No single project will exceed 5% of the total fund assets and the objective is to diversify the investments across types of investments, geographical location, investment sponsor, and holding period thereby reducing the risk profile to the investor. As the manager of the fund, our principal, Sheila M. Chesney, invests a minimum of 1% of total committed capital in the fund. We expect most of the projects will be located in those areas of the country experiencing the most sustainable growth and predominantly in the southwestern region of the United States. The Fund may also make project investments located in other regions of the United States, but will not invest in projects located outside the United States. The Fund does not deploy the use of leverage although the individual investment projects will utilize leverage.

Under the terms of the Investment Management Agreement with the Fund, we receive a quarterly management fee paid in advance, equal on an annual basis, to 1% of the total capital commitments to the Fund. We do not receive a performance incentive fee for the management of this fund. This fee is in addition to the fees charged by the underlying investment partnership. *Wealth Management clients of our firm are credited at the portfolio statement level for this fee. It is our objective to offer this fund as an alternative opportunity on a platform with all other investment opportunities. The fee structure does not incentivize us to recommend this fund over other opportunities that may be more appropriate to you as the compensation will be identical.* We have outsourced the administrative accounting for the fund to National Advisors Trust Company. We do not directly control the funds and do not have check writing authority. On a quarterly basis, National Advisors Trust Company provides a statement of the account directly to all investors in the fund via the Red Tail Real Estate Opportunity Fund I, LLC Intralinks website.

Investments in the Fund are strictly limited to accredited investors within the meaning of SEC Rule 501 of Regulation D of the Securities Act of 1933, and who meet certain minimum investor suitability requirements. Investors may not withdraw from the Fund without our prior written consent. Investors in the Fund should refer to the Fund's offering documents for a complete description of the investment objectives, risks, and other pertinent information.

#### **Types of Investments**

We primarily offer advice on equity securities, corporate debt securities, certificates of deposit, municipal securities, investment company securities, US Government securities, and interest in partnerships investing in real estate, oil and gas, timber, hedge funds, private equity and private debt including Church Bonds.

Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

#### **Assets Under Management**

As of 12/31/2010, we manage \$73,327,334 in client assets on a discretionary basis, and \$0 in client assets on a non-discretionary basis.

## ***Fees and Compensation***

Please refer to the “Advisory Business” section in this brochure for information on our advisory fees, fee deduction arrangements, and refund policy according to each service we offer.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund’s prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the “Brokerage Practices” section of this brochure.

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

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client’s account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## ***Types of Clients***

Our primary service is in providing a full service Private Wealth Management engagement to high income/high net worth (accredited) investors. The services provided under this engagement are designed to provide you with a financial plan customized to meeting their specific objectives. We seek engagements with clients who desire a long-term trusted financial advisory relationship with their advisor. Under the engagement, full on-going financial planning consultation is included and you receive ongoing active portfolio management including access to high quality private placements. We will not accept prospective clients on whose behalf we cannot make a significant difference.

The minimum capital contribution to invest in the Red Tail Real Estate Opportunity Fund I, LLC is \$100,000 per unit of membership interest. Each investor is required to purchase at least one unit of membership. The Manager at her discretion may offer less than a full unit to an investor.



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

### **Investment Philosophy**

We believe that wealth is created through successful participation in global economic growth over the long-term. We manage your portfolio to harness the wealth –creating power of the global capital markets and deliver consistent, inexpensive, tax-efficient investment returns. Our portfolio strategy is an equity-tilted exposure under the premise that long-term wealth accumulation is best achieved through investing in equities. We deploy a core plus satellite framework across five major asset classes: equities (both domestic and foreign), absolute return (hedged equities), fixed income, real assets, and cash. Our implementation is designed to deploy the portfolio's dollars in the most cost efficient manner. Our typical core holdings are ETFs and institutional mutual funds. Our satellite investments range from individual equities and bonds to a diverse platform of high quality private placements. Our strategy is based on time-tested financial theories including the research showing that 93% of the variation in portfolio returns are attributable to the asset allocation decision (Brinson, Beebower, Hood).

We adhere to the belief that investing in a long-term endeavor. Our minimum time horizon for investment assets is a rolling five year period. Capital needed in the short-term is not suitable for investing and is allocated to the risk-free portfolio. A realistic expectation for short-term capital is to maintain purchasing power.

We believe that risk tolerance is a 'derived conclusion' not a 'prior input'. We are goals-based portfolio managers and the risk exposure of the portfolio is defined by your goals. To the extent that the risk exceeds your tolerance, the goal must be adjusted accordingly. This process helps to make clear to you the importance of articulating clear goals to which they can be committed over the long-term.

Our strategic asset allocation benchmark is a 55/35/10 stock/bond/cash model that is adjusted in concert with the global economic climate. Our equity allocation ranges between 40 – 70%. Our target return is 5% net of inflation and fees over the long-term. We believe in extensive research outside mainstream publications. We spend approximately 4% of total revenue alone on high quality research services annually including Bloomberg, BCA Research, RGE Monitor, Ned Davis Research, Grant's Interest Rate Observer, SED (Strategic Economic Decisions).

Our recommendations are based on the information and data provided by you. It is your responsibility to keep us informed as to any material changes in your goals and/or life situation that would affect the management of your wealth.

### **Our Methods of Analysis and Investment Strategies**

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- Fundamental Analysis – involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
- Technical Analysis – involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.
- Cyclical Analysis – a type of technical analysis that involves evaluating recurring price patterns and trends.
- Long Term Purchases – securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- Short Term Purchases – securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.
- Margin Transactions – a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.
- Option Writing – a securities transaction that involves selling an option. An option is the right, but not



the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. When an investor sells an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. The seller pays the buyer a premium (the market price of the option at a particular time) in exchange for writing the option.

The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day to day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance. The risk of cyclical analysis is that economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### **Recommendation of Particular Types of Securities**

As disclosed under the "Advisory Business" section in this Brochure, we provide advice on all types of securities and we do not necessarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

### **Disclosure on Church Bonds**

Church Bonds carry a higher coupon historically over similar long-term corporate bonds with the additional feature of a first mortgage securing the bond investment. Clients are provided with the brochure "Invest in Something Greater" which has been created by the investment firm, Strongtower Financial, to show this yield disparity of church bonds compared to average corporate bond yields. This brochure contains disclosure specific to church bonds since church bonds are a non-traditional way to invest our clients assets. Since Church Bonds have limited secondary trading, a higher level of commitment is required over exchange-traded bonds. The resale of a Church Bond is handled via agency status whereby Strongtower Financial will assist an existing owner find a buyer through their retail or wholesale distribution platform. There may be times, depending on interest rate changes, that it could take longer to conduct a secondary trade. In the case where we elect to do a cross trade internally with Charles Schwab to facilitate a secondary market for Church Bonds, we will endeavor to provide the best execution for both the buy and sell side of the trade.

Church Bonds are priced at par for simple interest bonds and premium for compound church bonds. These prices do not reflect the bid or ask prices in the event a client decides to resell their bond. Strongtower Financial sends a pricing file monthly to Charles Schwab to help price the bonds on the custodian's monthly statements. Agency secondary sales are handled via a bond term bid sheet which the owner of the bond approves prior to the bond being listed for resale. Bonds may resell with a bid/ask price less than par depending on prevailing interest rates.

## ***Disciplinary Information***

Neither our firm nor any of our associated persons has any reportable disciplinary information.

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

### **Arrangements with Affiliated Entities**

We serve as the investment adviser and general partner to Red Tail Real Estate Opportunity Fund I, LLC, (the "Fund"), a private pooled investment vehicle in which you may be solicited to invest. The Fund is offered to certain sophisticated investors, who meet certain requirements under applicable state and/or federal securities laws. Investors to whom the Fund is offered will receive a private placement memorandum and other offering documents. The fees charged by the Fund are separate and apart from our advisory fees. You should refer to the offering documents for a complete description of the fees, investment objectives, risks and other relevant information associated with investing in the Fund. Persons affiliated with our firm may have made an investment in the Fund and may have an incentive to recommend the Fund over other investments.

Sheila Chesney, President and Chief Compliance Officer of our firm, owns a minority interest in a savings and loan holding company, National Advisors Holdings, Inc ("NAH") that has formed a federally chartered trust company, National Advisors Trust Company, FSB ("NATC"). NAH and NATC are regulated by the Office of Thrift Supervision, a bureau of the U.S. Treasury Department. NATC provides a low cost alternative to traditional custody and trust service providers. We may refer our advisory clients in need of custodial or trust services to NATC.

NAH owns National Advisors Trust Company, Federal Savings Bank ("NATCO"). NATCO provides custodial and trust services to our clients and will provide such services to other registered investment advisers whose related persons are shareholders in National Advisors Holdings, Inc.

These referral arrangements we have with our affiliated entities present a conflict of interest because we may have a financial incentive to recommend our affiliates' services. While we believe that compensation charged by our affiliates are competitive, such compensation may be higher than fees charged by other firms providing the same or similar services. You are under no obligation to use our affiliates' services and may obtain comparable services and/or lower fees through other firms.

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

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

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting Sheila Chesney at 888-426-2193.

#### **Participation or Interest in Client Transactions**

We serve as the investment adviser and general partner] to Red Tail Real Estate Opportunity Fund I, LLC (the "Fund"), a private pooled investment vehicle in which you may be solicited to invest. Persons associated with our firm may have significant investments in the Fund. If you are an investor in the Fund, please refer to the Fund's offering documents for detailed disclosures regarding the Fund. Additionally, individuals associated with our firm may buy or sell – for their personal account(s) - investment products identical to those purchased by the Fund. This practice may create a conflict of interest because we have the ability to trade ahead of the Fund and potentially receive more favorable prices than the Fund will receive. To eliminate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over the Fund in the purchase or sale of securities.

#### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

### ***Brokerage Practices***

We will recommend that securities be purchased through the facilities of the Schwab Advisor Services division of Charles Schwab & Co., Inc. ("Schwab"), a securities broker-dealer and a member of the Securities Investor Protection Corporation or NATCO. Such recommendations will take into account a number of factors, some of which may include custodial fees charged by the broker for holding securities for the client, commission rates, quality of execution and record keeping and reporting capabilities. When recommending a broker, we will attempt to minimize the total cost for all brokerage services paid by you. However, it may be the case that the recommended broker charges a higher fee for a particular type of service, such as commission rates, than can be obtained from another broker. You may utilize the broker/dealer of your choice and have no obligation to purchase or sell securities through such any broker dealer we recommend.

#### **Schwab Research and Other Benefits**

We are independently owned and operated and not affiliated with Schwab. Schwab provides us with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Advisor Services. These services are not otherwise contingent upon us committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts. We believe that Schwab provides quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by Schwab, including the value of research provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research

services and additional brokerage products and services Schwab provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

Schwab Advisor Services makes available to us other products and services that benefit us but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our accounts, including accounts not maintained at Schwab. Schwab's products and services that assist us in managing and administering your' accounts include software and other technology that (i) provide access to your account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of our fees from your account; and (v) assist with back-office functions, recordkeeping and client reporting. Schwab Advisor Services also offers other services intended to help us manage and further develop our business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to us. Schwab Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to us. Schwab Advisor Services may also provide other benefits such as educational events or occasional business entertainment to us.

#### **Research and Other Soft Dollar Benefits**

We do not have any soft dollar arrangements.

#### **Directed Brokerage**

You may instruct us to use one or more particular brokers for the transactions in your accounts. If you direct us to use a particular broker you should understand that this may prevent us from effectively negotiating brokerage compensation on your behalf. This arrangement may also prevent us from obtaining the most favorable net price and execution. Thus, when directing brokerage business, you should consider whether the commission expenses and execution, clearance, and settlement capabilities that you will obtain through your broker is adequately favorable in comparison to those that we would otherwise obtain. Under such arrangements we will assess an additional fee equal to 0.10% that is clearly stated above and in the advisory agreement signed by you.

#### **Block Trades**

We do not combine multiple orders for shares of the same securities purchased for advisory accounts we manage (the practice of combining multiple orders for shares of the same securities is commonly referred to as "block trading"). Accordingly, you may pay different prices for the same securities transactions than other clients pay. Furthermore, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than other clients.

### ***Review of Accounts***

Sheila Chesney, President of Chesney & Company, Inc., will monitor your accounts on an ongoing basis and will conduct account reviews at least quarterly and upon your request to ensure that is meeting your investment objectives as stated in your investment policy statement. Your account will be rebalanced according to the portfolio's asset allocation as often as quarterly (after considering fee and tax consequences) but annually at a minimum.

Private Wealth Management clients receive a quarterly performance statement which shows both time weighted as well as dollar weight return, current asset allocation and comparison of the current asset allocation to the assigned model. You will also receive a statement from your custodian(s) on a monthly and/or quarterly basis.

We will provide each investor in the Red Tail Real Estate Opportunity Fund I, LLC (the "Fund") with annual reviewed financial statements, Schedule K-1s and any other required tax reporting documents and quarterly informational updates. Additionally each investor in the Fund will receive quarterly account statements from the Fund's qualified custodian.

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

We do not receive any compensation from any third party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals.

Please refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with Schwab.

### ***Custody***

We directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. We will also provide statements to you reflecting the amount of advisory fee deducted from your account.

If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact Sheila Chesney at 888-426-2193.

### ***Investment Discretion***

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, a power of attorney, and/or trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the "Advisory Business" section in this brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s).

### ***Voting Client Securities***

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

### ***Financial Information***

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

### ***Additional Information***

#### **Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact Sheila Chesney at 888-426-2193, if you have any questions regarding this policy.

### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, you will keep the profit.

#### *Trade Error Correction for Accounts Held with Schwab*

If an investment gain results from the correcting trade, the gain will remain in your account unless the same error involved other client account(s) that should have received the gain, it is not permissible for you to retain the gain, or we confer with you and you decide to forego the gain (e.g., due to tax reasons). If the gain does not remain in your account and Charles Schwab & Co. Inc. ("Schwab") is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, we will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted.