

Chesney & Company, Inc.

d/b/a

Chesney & Company

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[5/20/2011](#)

**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. 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 and Sheila M. Chesney is our sole 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.

Our Mission

Chesney & Company is a boutique Private Wealth Management firm. Our mission is to enhance the quality of our clients' lives through the creation and implementation of personal wealth strategies and by managing our client's investment portfolio to meet their unique, individual goals. Chesney & Company views wealth management as sophisticated portfolio management supported by strategic, comprehensive, ongoing financial planning. Our focus at all times is our client's financial goals and objectives.

Who We Serve

In all cases, our clients are those who value the integration of our comprehensive wealth management service with discretionary portfolio management. Chesney & Company's ideal clients are those successful business owners, professionals, entrepreneurs or retirees with a minimum \$3M in investment assets or sufficient income to reach that level in a three year timeframe. We serve a geographically diverse clientele and we approach each engagement with the expectation of serving the client forever.

Our Fee-Only Structure

Chesney & Company is an independent, fee-only advisory firm. As such, our only source of revenue is our clients. We do not accept compensation in any form from any other source including commissions, referral fees, product incentives or product solicitation arrangement. We are committed to 100% transparency in everything that we do.

Chesney & Company's fee is comprised of a financial planning retainer plus an asset management fee as follows:

- Initial 12 month financial planning fee: \$5,000 - \$25,000
- Annual recurring financial planning fee: \$3,000 - \$25,000

Portfolio Management Fee:

- First \$2,000,000 under management: 1.00%
- \$2,000,000 but less than \$4,000,000 under management: .90%
- \$4,000,000 but less than \$10,000,000 under management: .75%
- More than \$10,000,000 under management: .50%

Our minimum annual fee (including both retainer and portfolio management) is \$15,000.*

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

Our Services

Portfolio Management

Chesney & Company believes that wealth is created through participation in global economic growth over the long-term. Our management philosophy strives to achieve attractive investment returns as inexpensively and as tax efficiently as possible consistent with each client's tolerance for levels of risk and appetite for levels of return.

To that end, in more efficient public markets we utilize lower risk, lower cost passive strategies as core holdings. Where it is appropriate for the client we utilize actively managed, higher risk public and private investments that offer the opportunity for greater returns to compensate for their usually higher levels of cost, illiquidity and risk.

As an independent, fee-only advisory firm Chesney & Company has built a flexible, innovative investment platform. We have carefully crafted our open architecture platform to enable us to embrace investment opportunities that are 'best in class' wherever they are to be found. We believe that our access to these successful managers affords our clients opportunities not available to institutional investors. Given our clients long-term horizons they are well positioned to take advantage of these offerings.

Chesney & Company's portfolio strategy is broadly diversified across asset classes but given that our client's need to meet long-term investment objectives we strongly favor an equity allocation. We do not believe that successful portfolio strategies can be evaluated in the short-term and our minimum investment time horizon is five years. Furthermore, evidence indicates that forecasting the markets direction in the short-term is highly improbably and, therefore, we coach our clients to tolerate the sometimes painful short-term volatility in return for long-term gains.

Financial Planning

Chesney & Company believes that rigorous, ongoing financial planning is critical to the preservation of wealth. We strive to help our clients make good financial decisions through ongoing analysis of their financial independence and wealth accumulation planning, risk management, tax planning and estate planning. Our financial plans are creative, customized and endeavor to take an unconventional approach to our client's goals and objectives.

Wealth Management Engagement

At the inception of our engagement, Chesney & Company will evaluate the client's situation and determine the initial 12 month financial planning retainer. Thereafter, on an annual basis we will meet to evaluate our engagement and establish the retainer for the coming year. Our retainer is determined by our principal, Sheila M. Chesney, and takes into consideration net worth and earned income levels as well as the breadth of the services that we deem necessary to achieve success.

Billing

Our financial planning retainer is billed in advance. The initial retainer is pro-rated based on the date of engagement to cover the 1stQTR's fee. Thereafter 1/4th of the annual retainer is billed quarterly. Our asset management fee is billed quarterly in arrears. Our engagement assumes that Chesney & Company will manage all of the client's assets. Fees will be assessed on a pro-rata basis to the client's custodial accounts unless otherwise decided and start with 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 that the assets are initially reflected in our portfolio accounting software.

If you are billed for a retainer fee we will send you an invoice for the payment. You may instruct us to deduct this fee from your custodial account. Your management fee will be deducted 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 our engagement agreement 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

On a selected basis Chesney & Company will provide Investment Management – only services. This engagement is generally limited to family members of Private Wealth Management clients or to management of the qualified plans (401(k) / PSP) of Private Wealth Management clients. This engagement does not offer financial planning services. Under this engagement Chesney & Company will meet with you to articulate your investment strategy, make recommendations, create the Investment Policy Statement, implement the strategy and monitor/review the portfolio on a quarterly basis. On an annual basis we will meet to update the client's situation and IPS. There is no minimum for Investment Management clients and each situation is evaluated on its merits.

Our fee schedule for Investment Management is:

- First \$2,000,000 under management 1.00% \$2,000,000 but less than \$4,000,000 .90%
- \$4,000,000 but less than \$10,000,000 .75%
- More than \$10,000,000 under management .50%

The Investment Management client may elect to engage our firm for a complete (one-time) financial plan. Our fee for this plan is \$5,000 to \$10,000 depending on complexity. Payment 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, within 12 months of delivery of the plan, Chesney & Company accepts the client as a Private Wealth Management client 50% of the fee paid for the financial plan will be credited toward the 1st year's wealth management fees on a pro-rata basis through the first year.

Pension Consulting Services

Chesney & Company may offer pension consulting services to Private Wealth Management clients when requested. Management of the qualified plan is an Investment Management engagement. The scope of our service 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.

Our fee for the management of qualified plan assets is the same as our Investment Management engagement fee.

Our pension services are not part of the Wealth Management engagement but Chesney & Company will manage these assets when requested by our client. 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

We serve as the investment adviser and sole Manager to Red Tail Real Estate Opportunity Fund I, LLC (the "Fund"). This fund is a pooled real estate fund established in 2007 and the investment period concluded in 2011. The fund was offered to a limited number of qualified investors and has been closed to new investors since 2007. Under the terms of the Investment Management Agreement with the Fund, Chesney & Company receives 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 partnerships in the fund. Clients of the firm who are also investors in the fund are credited back for the management fee paid by the Red Tail Fund to Chesney & Company to eliminate the double charge. Chesney & Company does 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.

In accordance with SEC Regulation 206 (4) – (b)(4), the Red Tail Real Estate Opportunity Fund I, LLC is audited annually by a PCAOB registered accounting firm. The results of this audit are available to Limited Partners upon request.

Types of Investments

Chesney & Company utilizes an open architecture platform of investments. Our fee-only structure allows us to source attractive investment opportunities wherever they are found.

Our core and satellite investment strategy deploys low-cost passive investments surrounded by a satellite holding that meet our client's long-term financial objectives.

Our portfolio strategy includes equity securities (including individual equities, open-end and closed-end funds, ETFs), fixed income funds and private partnerships including natural gas, oil, timber, real estate, private equity, venture capital, private debt and managed futures.

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.

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 different investment vehicles. . The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by the management of these investments and are 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 core service is providing a full service Private Wealth Management engagement to high income/high net worth (accredited and/or qualified) investors. The services provided under this engagement are designed to provide you an ongoing trusted advisory engagement including financial planning and discretionary portfolio management customized to meet your specific needs. We seek engagements with clients who desire a long-term engagement and in which we can make a difference in the life of the client. Chesney & Company targets clients whose philosophy of creating wealth in the long-term is best served by virtue of an endowment model portfolio strategy. We will not accept prospective clients who do not meet our criteria.

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. Chesney & Company is an equity-oriented portfolio management firm. We manage assets against a single portfolio strategy that is global in diversity and allocated across six asset classes including equities, fixed income, real estate, commodities, absolute return and cash. We believe in a top-down approach in creating our strategic asset allocation. Our implementation is designed to deliver consistent long-term returns with moderate volatility. We believe that expenses matter and endeavor to minimize expenses and taxes when possible. Chesney & Company does not believe in any significant allocation to fixed income securities as this does not lend itself to the long-term growth objectives of our target client.

Our implementation is designed to deploy the portfolio's dollars in the most cost efficient manner. Our typical core holdings are ETFs and institutional passive mutual funds. Our satellite investments can range from individual equities and bonds to a diverse platform of high quality private placements.

We adhere to the belief that investing in a long-term endeavor. We expect clients to view the investment portfolio as having a rolling five year time horizon. Capital needed in the short-term is not suitable for investing. Chesney & Company does not believe that wealth can be created in the short-term. We encourage clients to have realistic expectations of the market and to recognize that achieving portfolio growth demands the acceptance of risk and the potential for losses.

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 the client's goals. To the extent that the risk exceeds your tolerance level, the goal must be adjusted accordingly. This process helps to bring to the forefront the fact that successful wealth creation requires choices to be made. .

Chesney & Company's neutral portfolio benchmark is a 55/35/10 stock/bond/cash model. Our target allocation is reviewed on a monthly basis for potential tactical adjustments. Each client's portfolio is unique and is tailored to their specific needs within the asset allocation of the portfolio. Our target return is 5.5% net of inflation and fees over the long-term. The minimum timeframe over which the portfolio results can be evaluated is five years or longer depending on the customized implementation.

Chesney & Company invests heavily in high quality research from firms such as GaveKal, Bank Credit Analyst, Ned Davis Research, ValueLine, Dow Theory Letters, IQ Trends, Utility Forecaster, Grants Interest Rate Observer, SED (Strategic Economic Decisions). The company has an onsite Bloomberg Terminal. Chesney & Company utilizes quality software for analysis of client strategies including Morningstar and Zephyr as well as proprietary models.

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

Chesney & Company is a long-term investment manager. Our minimum time horizon for putting money at risk is five years. Clients must be able to tolerate short-term volatility in order to achieve their long-term goals. 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. Chesney & Company deploys a core plus satellite strategy. Each client portfolio can exhibit some level of customization depending on their specific level of wealth, tax appetite and long-term goals. 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.

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 distinct from our advisory fees but clients of our firm who invest in the fund are compensated for the fee. 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 (less than 1%) 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. Chesney & Company abides by the Code of Ethics and Standards of Professional Conduct of the CFA Institute. A copy of these codes and standards are available on the CFA Institute website at www.cfainstitute.org.

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. 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.

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. Chesney & Company seeks to avoid any conflict of interest in this area by:

- Investing primarily in highly liquid, high volume securities and funds. This reduces the potential for any member of our firm to trade ahead of you.
- Segregating the investment process within our firm such that different members of our firm perform different parts of the process and on different days.
- All employees of our firm have their personal accounts managed by Chesney & Company. Furthermore, 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% of the total asset value 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 we deem appropriate and as often as quarterly (after considering fee and tax consequences). Portfolios are rebalanced at least annually.

Private Wealth Management clients have daily access to their portfolio through our Black Diamond Performance Reporting platform. Black Diamond updates portfolios daily and Chesney & Company provides manual updates to all private placements at least monthly. Portfolio performance results are reported net of all fees and show performance both time weighted as well as dollar weight return, current asset allocation and comparison of the current asset allocation to the target allocation. You will also receive a statement from your custodian(s) on a monthly and/or quarterly basis.

Reporting on the Red Tail Real Estate Opportunity Fund I, LLC is provided through Intralinks (www.intralinks.com). All investor documents, including original PPM, subscription agreement, Schedule K-1, quarterly statements and semi-annual correspondence are available to Limited Partners through the site. .

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. Chesney & Company utilizes the services of SMARSH, Inc. to password protect and encrypt all electronic communication that includes anything of a confidential nature.

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.