

**Part 2A of Form ADV: Firm Brochure**

**Chesapeake Financial Group, Inc.**

(DBA Chesapeake Investment Group or CIG)

A wholly-owned subsidiary of Chesapeake Investment Group, Inc.

4804 Courthouse St., Suite 2A  
Williamsburg, VA 23188

Telephone: 757-253-9088

Email: [cig@chesvest.com](mailto:cig@chesvest.com)

Web Address: [www.chesvest.com](http://www.chesvest.com)

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This brochure provides information about the qualifications and business practices of Chesapeake Financial Group. If you have any questions about the contents of this brochure, please contact us at 757-253-9088 or [cig@chesvest.com](mailto:cig@chesvest.com). 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 Chesapeake Financial Group also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 108039.

**Item 2: Material Changes**

This item of our Brochure contains any material changes from our previous ADV Part 2A Brochure. Chesapeake Financial Group (CFG) has only one material change from the previous, 03/31/11 version of our Brochure:

- CFG has added language in Item 4, Advisory Business, to clarify CFG's business practices relating to retirement plans covered under ERISA regulations. CFG is adding this language due to the potential for us to engage in more retirement plan business in the near future. This does not represent a substantial change to CFG's business other than the potential make up of our client base.

In addition to this material change, there are other non-material changes that are not listed in this section. Most of these non-material changes are clarifications of existing material. CFG will provide you with other interim disclosures about material changes as necessary.

You may obtain a copy of our current Brochure any time by contacting our Firm's Chief Compliance Officer at the telephone number listed on the cover page of this Brochure or by clicking on the link on CIG's website, [www.chesvest.com](http://www.chesvest.com).

<b>Item 3: Table of Contents</b>		<b>Page</b>
Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	3
Item 4	Advisory Business	4
Item 5	Fees and Compensation	14
Item 6	Performance-Based Fees and Side-By-Side Management	16
Item 7	Types of Clients	16
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	17
Item 9	Disciplinary Information	20
Item 10	Other Financial Industry Affiliations	20
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	22
Item 12	Brokerage Practices	24
Item 13	Review of Accounts	27
Item 14	Client Referrals and Other Compensation	28
Item 15	Custody	28
Item 16	Investment Discretion	29
Item 17	Voting Client Securities	30
Item 18	Financial Information	31

#### **Item 4: Advisory Business**

Chesapeake Financial Group, Inc. (“CFG”) is a SEC-registered investment adviser with its principal place of business located in the Commonwealth of Virginia. Chesapeake Financial Group, Inc. began conducting business in 1998.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- Chesapeake Financial Group, Inc. is a wholly-owned subsidiary of Chesapeake Investment Group, Inc. Chesapeake Investment Group, Inc. is a wholly owned subsidiary of Chesapeake Financial Shares, Inc.

Chesapeake Financial Group offers the following advisory services to our clients:

I. Individual Portfolio Management Services

- A. Premium Asset Management Services
- B. Chesapeake Asset Management Services

II. Individual Client-Directed Investment Services

III. Institutional Asset Management Services

- A. Premium Sub-advisory Services
- B. Dominion Asset Allocation Services

Each of these services is described below.

#### **I. Individual Portfolio Management - Investment Supervisory Services**

In these services Chesapeake Financial Group provides investment supervisory services where CFG serves as both the investment manager and the servicing agent for client accounts. The two levels of service include Premium Asset Management Services (“Premium AMS”) and Chesapeake Asset Management Services (“Chesapeake AMS”). Please refer to the details below for more information on each service.

##### ***A. Premium Asset Management Services (“Premium AMS”)***

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. During a data-gathering process, we determine the client’s objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, family composition, portfolio constraints and background. Through these personal discussions where goals and objectives are established based on the client's particular circumstances, CFG and the client develop an agreed upon personal investment policy for the portfolio. CFG then manages the related portfolio based on that policy.

We manage these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives which may include, but not be limited to, capital appreciation, growth, income, or growth and income. On a best efforts basis and where able and appropriate, CFG will manage portfolios on a tax-efficient basis.

Clients may impose reasonable restrictions that are mutually agreed upon in writing by the client and CFG that relate to investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- Unit investment trusts
- United States governmental securities
- Options contracts on securities
- Interests in partnerships investing in real estate

In special circumstances CFG, or an appropriately-licensed employee of CFG, may also provide advice on the following assets:

- Variable life insurance
- Variable annuities
- Interests in partnerships investing in oil and gas interests

Because some types of investments involve certain additional degrees of risk, CFG will only implement/recommend them when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

***B. Chesapeake Asset Management Services ("Chesapeake AMS")***

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. During a data-gathering process, we determine the client's objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, family composition, portfolio constraints and background. Through these personal discussions where goals and objectives are established based on the client's particular circumstances, CFG and the client develop an agreed upon personal investment policy for the portfolio. CFG then manages the related portfolio based on that policy.

We manage these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives which may include, but not be limited to, capital appreciation, growth, income, or growth and income. On a best efforts basis and where able and appropriate, CFG will manage portfolios on a tax-efficient basis.

Clients may impose reasonable restrictions that are mutually agreed upon in writing by the client and CFG that relate to investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. However, due to the size of the relationship, a large majority of Chesapeake AMS accounts may be invested in mutual funds, exchange-traded funds, and/or other pooled investment products. CFG may sell asset classes that are not listed below, regardless of tax consequences, upon their receipt in a Chesapeake AMS account or anytime thereafter.

Our investment recommendations will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- Unit investment trusts
- United States governmental securities

In special circumstances CFG, or an appropriately-licensed employee of CFG, may also provide advice on the following assets:

- Variable life insurance
- Variable annuities

Because some types of investments involve certain additional degrees of risk, CFG will only implement/recommend them when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

## **II. Individual Client-Directed Investment Services**

In special situations, CFG may assist clients in establishing self-directed, non-discretionary brokerage accounts with a custodian from the Approved List, referenced in this Brochure in "Item 12: Brokerage Practices." CFG is not and should not be considered the custodian of these accounts. The client understands that neither CFG nor its representatives will exercise any discretionary authority with respect to these client-directed investment accounts.

CFG may provide investment advice but is not obligated to do so. The client will provide CFG any and all suitability information. This information should include, but not be limited to, the client's financial circumstances, investment objectives, special instructions, and/or constraints. The client will notify CFG promptly of any significant change in the information referenced above or any circumstances that might affect the manner in which Client's account should be invested.

Clients may place trades in client-directed investment accounts directly with the custodian in a method acceptable by the terms of the custodial/brokerage agreement. The client authorizes and directs the custodian to make available to CFG confirmations of all transactions, statements, and confirmations.

The client will be solely responsible for paying all fees and/or charges of the Custodian and is bound by all terms and conditions as outlined in the custodial agreement. While CFG may recommend a custodian from the Approved List, it is solely the client's decision to enter into a brokerage/custodial agreement with the custodian.

The client authorizes CFG to assist in the execution of certain non-trading, account servicing instructions as authorized in the custodial agreement. The client understands that CFG may indirectly receive research and/or other services in return for the client holding these assets in custody with the qualified custodian. Such research and/or other services generally will be used to service all of CFG's clients, but may not be used in managing the client's account. The client also understands that the use of an approved custodian for this CFG relationship may result in the account paying brokers a commission greater than another qualified broker might charge to affect the same transaction. Please see Item 7, Brokerage Practices, of this brochure for more information on these arrangements.

The custodian will provide the client written statements at least quarterly of the assets in Client's Account, the current market value, and any transactions that occurred in the client's account for that period. CFG will not provide performance information for the client's account.

CFG receives no direct monetary compensation from custodians for commissions and/or transaction costs paid to them. The custodian sets any and all commission and fee schedules, and they are not negotiable. These fee schedules are disclosed prior to providing a service, and are available upon request. Some expenses, including but not limited to, internal management fees from open- and closed-end mutual funds as well as spreads due to markups or markdowns in pricing that are built in to the price of the security cannot be extracted; therefore, they are incurred by the client. It is the client's responsibility to read any and all disclosure information for and agree to the terms of any product purchased in a client-directed investment account. Other miscellaneous fees such as SEC fees that are not a part of the stated commission will be paid by the client.

### **III. Institutional Portfolio Management**

Chesapeake Financial Group offers both discretionary and non-discretionary portfolio management services as a sub-advisor to other registered investment advisory firms and trust companies. This means that other investment advisory firms and/or trust companies (the "Primary Advisor") may hire CFG (the "Sub-advisor") to provide discretionary or non-discretionary portfolio management services for the Primary Advisor's clients ("Clients"). In these cases CFG signs investment advisory agreements with the Primary Advisor and not directly with the account holders. Therefore, the Primary Advisor serves as the servicing agent on all client accounts while both the Primary Advisor and Sub-advisor share investment management roles for client portfolios.

The two services include Premium Sub-advisory Services ("Premium SAS") and Dominion Asset Allocation Services ("Dominion AAS"). Please refer to the details below for more information on each service.

#### ***A. Premium Sub-Advisory Services ("Premium SAS")***

In this service, other registered investment advisors (the "Primary Advisor") hire CFG (the "Sub-advisor") to serve as a sub-advisor for their client accounts. As the sub-advisor, CFG provides continuous advice to a client through the Primary Advisor regarding the investment of the client's funds based on the individual needs of the client. During a data-gathering process performed by the Primary Advisor, the Primary Advisor and the client determine the client's objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, they also review and discuss a client's prior investment history, family composition, portfolio constraints and background. Through these personal discussions where goals and objectives are established based on the client's particular circumstances, the Primary Advisor and the client

develop an agreed upon personal investment policy statement for the portfolio. The Primary Advisor then provides that investment policy statement to CFG, who then manages the related portfolio based on that policy.

We manage these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives which may include, but not be limited to, capital appreciation, growth, income, or growth and income. On a best efforts basis and where able and appropriate, CFG will manage portfolios on a tax-efficient basis.

Clients may impose reasonable restrictions that are mutually agreed upon in writing by the client, Primary Advisor, and CFG that relate to investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer, trust company or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- Unit investment trusts
- United States governmental securities
- Options contracts on securities
- Interests in partnerships investing in real estate

In special circumstances CFG, or an appropriately-licensed employee of CFG, may also provide advice on the following assets:

- Variable life insurance
- Variable annuities
- Interests in partnerships investing in oil and gas interests

Because some types of investments involve certain additional degrees of risk, CFG will only implement/recommend them when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

It is the duty of the Primary Advisor to provide or arrange for delivery of all required client communication and account documents directly to the client. These may include, but are not limited to, account statements, trade confirmations, performance reports, tax reporting documents, and any other documents or communication that may be required.



## ***B. Dominion Asset Allocation Services (“Dominion AAS”)***

In this service, other registered investment advisors or trust companies (the “Primary Advisor”) engage CFG (the “Sub-advisor”) to serve as a sub-advisor to provide the Primary Advisor advice on any or all of the following for models and/or individual client accounts:

- strategic asset allocation,
- tactical asset allocation, and
- security selection.

As the sub-advisor, CFG provides periodic, non-continuous advice to the Primary Advisor.

CFG and the Primary Advisor agree to the terms of services that CFG will provide and execute a contract specifying those terms. These customized terms of service vary with each contract and may be considerably different from contract to contract for the same or different Primary Advisors. Variables include, but are not limited to, the frequency of periodic advice, asset classes included for consideration, the number and type of models, and the number and type of individual client accounts.

The Primary Advisor will provide CFG the investment parameters to be followed and/or considered when providing advice for any model or client. Those parameters may include, but not be limited to, the investment objectives, time horizons, risk tolerance, constraints, tax considerations and liquidity needs of the model or client account. CFG then reviews the model or client account and makes recommendations in accordance with the investment parameters and the sub-advisory contract.

CFG does not have investment discretion on these models or client accounts. It is the duty of either the client and/or the Primary Advisor to affect any trades or implement any advice provided by CFG.

Clients may impose reasonable restrictions that are mutually agreed upon in writing by the client, Primary Advisor, and CFG that relate to investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer, trust company or insurance company. However, due to the parameters of the contract, certain Dominion AAS accounts may be limited to certain asset classes and/or investment products.

Our investment recommendations will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- Unit investment trusts
- United States governmental securities
- Options contracts on securities
- Interests in partnerships investing in real estate

In special circumstances CFG, or an appropriately-licensed employee of CFG, may also provide advice on the following assets:

- Variable life insurance
- Variable annuities
- Interests in partnerships investing in oil and gas interests
- Real Estate

Because some types of investments involve certain additional degrees of risk, CFG will only recommend them when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

The Primary Advisor provides all contact and communication with the end clients. The Primary Advisor, not CFG, provides any and all performance reports, account servicing, and other related services where required or applicable.

### **Retirement Plan Services**

CFG may serve as an investment advisor for retirement plans that fall under ERISA regulations. In these cases CFG is considered an ERISA advisor and serves as a fiduciary to the retirement plan. CFG's advice is for the retirement plan ("the Plan") and is not personalized for any individual Plan participants. CFG and Plan sponsors agree to the terms of these services in written advisory agreements. These terms of service and fees may vary substantially among Plans depending on the needs of the clients and Plans. Some differences in service include, but are not limited to:

- Investment Discretion: CFG may or may not have discretion over Plan assets. Depending on the terms of service CFG may serve under ERISA section 3(21) for some Plans (for which CFG does *not* have discretion) and section 3(38) for other Plans (for which CFG *does* have discretion).
- Depending on the terms of service, CFG's retirement plan services may fall under various categories described in this brochure.
- Frequency of advice and meetings: CFG may provide advice and/or meet with Plan sponsors more or less frequently depending on the needs of the Plan.
- Securities recommended: CFG may recommend different securities for different Plans. This may be due to the available and/or allowable securities in a Plan, the preferences of the client, or other factors.
- Educational services: CFG may offer general investor education services to Plans. These programs are general in nature and may cover various investment and/or retirement topics. These programs do not include any of the following kinds of advice to either the Plan sponsors or participants: personalized advice; recommendations of specific securities; legal; tax; accounting; actuarial. General topics may include, but not be limited to:
  - Investing basics
  - Asset allocation
  - Retirement planning
  - Mutual funds
  - Retirement plan tax issues
  - Other topics agreed upon by CFG and the Plan

CFG does not vote proxies for retirement plans and plan participants. Plan sponsors and participants are responsible for voting all proxies.

CFG offers retirement plan services to plan sponsors only; CFG does not offer personalized retirement plan services to individual plan participants. Plan participants may be eligible for CFG's other services, separate from these retirement plan services.

CFG's Retirement Plan Services are limited to investment advisory services only. Plan sponsors contract with service providers other than CFG for any of the services listed below. CFG does **not** provide any of the following Retirement Plan services:

- Third-Party Administrator (TPA)
- Custody of assets
- Trade execution
- Brokerage services
- Proxy voting
- Tax services
- Accounting services
- Legal services
- Actuarial services
- Regulatory filings
- Plan testing and/or compliance
- Plan participant enrollment
- Individual plan participant advice

Please see Item 5, Fees and Compensation, of this brochure for information on fees relating to ERISA clients.

### **Minimum Requirements to Open Accounts**

CFG has minimum requirements to open accounts. These requirements vary among services. Under special circumstances, and in its sole discretion, CFG may waive these requirements. Minimum requirements do not apply to Dominion Asset Allocation Services.

#### ***Minimum Requirements for New Accounts***

<b>Name of Service</b>	<b>Minimum New Relationship Size</b>	<b>Minimum Average New Account Size</b>	<b>Other Requirements</b>
<b>Premium AMS</b>	\$500,000.00	\$300,000.00	N/A
<b>Chesapeake AMS</b>	\$200,000.00	\$150,000.00	N/A
<b>Client-Directed</b>	N/A	N/A	Must have a Premium AMS or Chesapeake AMS relationship
<b>Premium Sub-Advisory Services</b>	\$1,000,000.00	\$500,000.00	N/A

To meet these minimums, client assets pre-approved by CFG must be received in the newly established CFG account within three months of the account's establishment. The value of those assets will be calculated using the sum of the assets' current fair market values at any time within the first three months of the account's establishment.

**Possible Conflict of Interest**

CFG and its representatives may earn commissions or other compensation from insurance and annuity transactions. The nature of these commissions could affect the advice that CFG provides.

**PUBLICATION OF PERIODICALS**

Chesapeake Financial Group periodically publishes various newsletters, commentary, blogs, and other communications (“Periodicals”). These Periodicals provide general information on various financial topics including, but not limited to, financial markets and investments, estate and retirement planning, market trends, etc. CFG’s Periodicals do not provide specific investment recommendations, nor do they purport to meet the objectives or needs of any individual. CFG does not charge in any way for these services. CFG provides these Periodicals to both clients and other select groups for informational purposes only. Periodicals are available upon request.

**AMOUNT OF MANAGED ASSETS**

As of 03/22/2012, CFG was actively managing \$139,370,155 of clients' assets on a discretionary basis. In addition, CFG was the advisor for \$10,664,336 of clients' assets on a non-discretionary basis.

## Item 5: Fees and Compensation

### INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT FEES

The fee schedules listed in this section apply to the services listed below, which are described in “Item 4: Advisory Services” of this brochure.

- Premium Asset Management Services (Item 4, Section I.A)
- Chesapeake Asset Management Services (Item 4, Section I.B)
- Premium Sub-advisory Services (Item 4, Section III.A)

The annualized fee for Investment Supervisory Services are based on and charged as a percentage of assets under management. Listed below is the maximum annualized standard fee schedule:

<u>Assets Under Management</u>	<u>Annual Fee</u>
\$0 - \$3 million	1.25%
Over \$3 million	1.00%

CFG may charge a minimum fee of \$1,000.00 per year per account.

Fees are calculated on a quarterly basis based on the beginning market value of the account and charged in arrears on or about the last business day of the quarter being billed. Chesapeake Financial Group may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

***Negotiability of Advisory Fees:*** Although Chesapeake Financial Group has established the aforementioned fee schedule(s) for Investment Supervisory Services accounts, we retain the discretion to negotiate alternative fees above or below the standard listed fee on a client-by-client or firm-by-firm basis. We consider client facts, circumstances and needs in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, and required reports packages, among other factors. The specific annual fee schedule is identified in the client’s most recently executed Investment Policy Statement, which serves as an amendment to the Investment Management Agreement between the advisor and each client.

Negotiated fees are outlined in each account’s respective investment advisory agreement. Discounts not generally available to our advisory clients may be offered to family members and friends of associated persons of our firm.

### PORTFOLIO MANAGEMENT SERVICES FEES

Portfolio Management services fees include both Individual Client-Directed Investment Services and Dominion Asset Allocation Services, which are described in this brochure, “Item 4: Advisory Services” Sections II and III.B respectively. The fees for each of these services are discussed separately below.

## **Client-Directed Investment Services**

Client-Directed Investment Services are generally provided to clients of our Investment Supervisory Services. Unlike our Investment Supervisory Services, CFG will not charge an advisory fee based on the assets under management on these non-discretionary, client-directed accounts.

The client will be solely responsible for all fees and/or charges charged to the client's account by the custodian for its services. These fees may include, but not be limited to, brokerage commissions, services fees, loads or other fees from investment products, and SEC fees. The custodian's fee schedules are disclosed prior to providing a service, and are available upon request. Some expenses, including but not limited to, internal management fees from open- and closed-end mutual funds as well as spreads due to markups or markdowns in pricing that are built in to the price of the security cannot be extracted; therefore, they are incurred by the client.

CFG receives no direct monetary compensation from custodians for commissions and/or transaction costs paid to them. The custodian sets any and all commission and fee schedules, and they are not negotiable. It is the client's responsibility to read any and all disclosure information for and agree to the terms of any product purchased in a client-directed investment account. Other miscellaneous fees such as SEC fees that are not a part of the stated commission will be paid by the client.

CFG charges Client-Directed Investment Services accounts a standard fixed service fee of \$250.00 per year, per account.

## **Dominion Asset Allocation Services**

Dominion Asset Allocation Services ("Dominion AAS") are generally provided to registered investment advisory firms and/or trust companies ("Primary Advisor"). Unlike our Investment Supervisory Services, CFG will not charge an advisory fee based on the assets under management for these non-discretionary relationships.

CFG receives no direct monetary compensation from custodians for commissions and/or transaction costs paid to them, mutual funds, or any other investment product included in asset allocation advice provided by Dominion AAS.

All Dominion AAS accounts are charged a negotiated fee agreed upon by CFG and the Primary Advisor. See our description of Negotiability of Fees below.

## **Negotiability of Fees for Portfolio Management Services**

Although Chesapeake Financial Group has established the aforementioned fee schedules and arrangements for non-discretionary Portfolio Management services, CFG retains the right to negotiate alternative fees above or below any standard listed fees on a client-by-client or firm-by-firm basis. We consider the client and/or Primary Advisor's facts, circumstances and needs in determining the fee schedule. These parameters include the complexity of the account/relationship, assets for which CFG may provide advice, size of the relationship and anticipated future additional assets, related accounts, portfolio style, account composition, and required reports packages, among other factors. The specific negotiated fee is identified in the client's and/or Primary Advisor's most recently executed written service agreement, which serves as an amendment to the written agreement between CFG and each client and/or Primary Advisor.

Negotiated fees are outlined in each account's respective written agreement. Discounts not generally available to our advisory clients may be offered to family members and friends of associated persons of our firm.

## GENERAL INFORMATION

**Termination of the Advisory Relationship:** Clients may terminate any advisory relationship with CFG at any time by giving CFG notice in writing. CFG may terminate any advisory relationship at any time by giving the client at least ten (10) business days prior written notice. Upon termination of the advisory relationship, CFG will have no obligation to provide advice, make recommendations, or take any action with regard to any assets in the respective accounts. Where applicable, CFG may charge pro-rated management and/or negotiated fees for any services that we provided up through the date of termination.

**Mutual Fund and other Investment Product Fees:** All fees paid to Chesapeake Financial Group for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. Clients are responsible for paying any loads or sales charges that funds may impose. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**Wrap Fee Programs and Separately Managed Account Fees:** CFG does not sponsor or use a wrap fee program for client accounts and does not use separately managed accounts in providing advisory services to our clients.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

**ERISA Accounts:** Chesapeake Financial Group is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, CFG may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset CFG's advisory fees.

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Limited Prepayment of Fees:*** Under no circumstances do we require or solicit payment of fees in excess of \$500.00 more than six months in advance of services rendered.

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

Chesapeake Financial Group does not charge performance-based fees.

**Item 7: Types of Clients**

Chesapeake Financial Group provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Trusts and estates
- Retirement Plans, including 401(k), Pension and Profit Sharing Plans (other than plan participants)
- Charitable organizations
- Corporations or other businesses not listed above
- Other registered investment advisors and Trust companies for which CFG provides sub-advisory services

As previously disclosed in Item 4, our firm has established certain minimum account requirements to initially establish and to maintain accounts, based on the nature of the services being provided. For a more detailed understanding of those requirements, please review the explanation for each applicable service as provided in Item 4 of this document.



## Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss

### METHODS OF ANALYSIS

CFG generally uses a mosaic approach to analyze securities and their potential use in client portfolios. This approach may use some or all of the following methods of analysis (listed in alphabetical order below) in formulating our investment advice and/or managing client assets:

- **Charting.** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.
- **Cyclical Analysis.** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to interpret the price movement of the security.
- **Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy in certain portfolios) or overpriced (indicating it may be appropriate to consider selling).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

- **Mutual Fund and/or ETF Analysis.** This method of analysis may include analyzing various aspects of each security that may include, but not be limited to, any of the following. We often analyze the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We often analyze the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

- **Technical Analysis.** In this method of analysis we analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and interpret future price movements.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## INVESTMENT STRATEGIES

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

- **Strategic Asset Allocation.** Strategic Asset Allocation is our primary investment strategy when managing client portfolios. Rather than focusing primarily on securities selection, the primary method of this strategy is to identify an appropriate ratio of equities, fixed income, cash equivalents, and other asset classes suitable to the client's investment goals and risk tolerance. We use this strategy in an attempt to create an efficient portfolio for the client on a risk-adjusted basis. Once we identify an appropriate target ratio of asset classes for a portfolio, we allocate the portfolio using securities identified as suitable using some or all of the methods of analysis listed above, taking into consideration the portfolio's objectives, risk tolerance, time horizon, and other considerations.

A risk of asset allocation is that the portfolio may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of the asset classes will change or "drift" over time due to the varying rates of asset class and market movements. If not adjusted, asset class weightings may no longer be appropriate for the client's goals.

- **Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:
  - we believe the securities to be currently undervalued, and/or
  - we want exposure to a particular asset class or industry sector over time, regardless of the current projection for this class or sector.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

- **Options.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security that typically changes in value over time. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives the buyer of the call the right to purchase a security at a certain price within a specific period of time. We may buy a call if we have determined that the security could increase substantially before the option expires. The seller of the call receives a premium for selling the option, and would be subject to the chance that they would have to sell the underlying security upon the buyer's execution of the option.
- A put gives the buyer of the put the right to sell a security at a certain price within a specific period of time. We may buy a put if we have determined that the price of the security could fall before the option expires. The seller of the put receives a premium for selling the option and would be subject to the chance that they would have to buy the underlying security upon the buyer's execution of the option.

We may use options to speculate on the possibility of a sharp price swing. We may also use options to "hedge" a purchase of the underlying security; in other words, we may use an option to limit the potential downside of a security held in a portfolio or to generate income for the portfolio.

We may use "covered calls", in which we sell an option on a security in the portfolio. In this strategy, the seller receives a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price. If the option is exercised, the underlying security would be sold directly from the portfolio.

In very rare and specific cases we may use "naked calls", in which we sell an option on a security not held in the portfolio. In the strategy, the seller receives a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price. If the option is exercised, the portfolio would have to purchase the underlying security at the current market price, then sell it to the option buyer at the price agreed-upon in the option contract.

***Risk of Loss.*** Securities investments are not guaranteed and you may lose money on your investments.

**Unless expressly stated otherwise, securities**

- **are not deposits of or guaranteed by a bank or any bank affiliate,**
- **are not FDIC-insured,**
- **are not insured by any federal government agency, and**
- **may go down in value.**

We ask that you work with us to help us understand your tolerance for risk.

## **Item 9: Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

## **Item 10: Other Financial Industry Activities and Affiliations**

As a subsidiary of a financial services holding company, our firm is under common ownership and control with several financial institutions.

CFG is a wholly-owned subsidiary of Chesapeake Investment Group, Inc. ("CIG"). CIG is a wholly owned subsidiary of Chesapeake Financial Shares ("CFS"). Various direct and indirect subsidiaries of CFS are in investment advisory, brokerage service, banking, or insurance businesses. CFS has an investment interest in Bankers Insurance, LLC and Bankers Title, LLC. From time to time, CFG or its clients may have material business relationships with the following Related Companies:

- Chesapeake Financial Shares, Inc.
- Chesapeake Bank
- Chesapeake Trust Company, Inc. ("CTC")
- Chesapeake Insurance Agency, Inc. (DBA Chesapeake Investment Services "CIS" clearing through Infinex Investments, Inc.)
- Bankers Insurance, LLC
- Bankers Title, LLC

All of the above named subsidiaries are operationally independent.

Chesapeake Financial Shares, Inc. as a parent financial services holding company provides administrative services and/or bookkeeping services for CFG. CFG may provide CTC and/or Chesapeake Bank periodic, non-discretionary, non-continuous investment advisory services (primarily asset allocation services) in the management of assets in some pooled and individual trust accounts for CTC's and Chesapeake Bank's respective clients. CFG receives a negotiated fee for these services.

In addition, the principal officers of CFG may also serve as officers and/or employees of these Related Companies listed above that are engaged in various aspects of the financial services industry.

Where appropriate, Chesapeake Financial Group and our employees may recommend the various investment and investment-related services of the Related Companies to our advisory clients. The Related Companies and their employees may also recommend the advisory services of our firm to their clients. The services provided by the Related Companies are separate and distinct from our advisory services, and are provided for separate and additional compensation. There may also be arrangements between Chesapeake Financial Group and these Related Companies where Chesapeake Financial Group and/or the Related Companies and their employees receive payment in exchange for client referrals. No Chesapeake Financial Group client is obligated to use the services of any of the Related Companies.

In addition, some management persons and other employees of Chesapeake Financial Group may be insurance agents for one or more insurance companies. In their separate capacity as insurance agents, these individuals are able to purchase insurance and insurance-related investment products for Chesapeake Financial Group's advisory clients. As a result of such transaction(s), CFG and/or these individuals may receive separate, yet customary, commission compensation. Clients, however, are not under any obligation to engage these individuals when considering the purchase and/or sale of insurance products. The implementation of any or all recommendations is solely at the discretion of the client.

We are aware of the special considerations required under Rule 206(4)-3 of the Investment Advisers Act of 1940. As such, we will make all appropriate disclosures and will observe all applicable Federal and State laws.

### **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Chesapeake Financial Group and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics mandates policies and procedures for the quarterly review of employees' securities transactions reports as well as initial and annual securities holdings reports that the firm's access persons must submit. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Chesapeake Financial Group's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [cig@chesvest.com](mailto:cig@chesvest.com), or by calling us at 757-253-9088.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

Our firm's Personal Securities Trading Policy has provisions to restrict and monitor employees' personal securities trading and to prevent employees from personally benefiting at the expense of advisory clients by trading the same securities as our portfolio managers may trade for client accounts.

Unless an employee is a client of CFG and their account is managed with discretion by CFG, our employees' trades are directed by each respective employee, and these trades are not aggregated with client transactions.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless their decision is based on information also available to the investing public.

3. Our firm's Personal Securities Trading Policy has provisions to restrict and monitor employees' personal securities trading and to prevent employees from personally benefiting at the expense of advisory clients by trading the same securities as our firm may trade for client accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). Our firm's Chief Compliance Officer or his/her designee reviews these holdings on a regular basis.
6. We have established procedures for the maintenance of all required books and records.
7. Where applicable, CFG fully informs clients that related persons may receive separate commission compensation when effecting transactions during the implementation process.
8. Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
9. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
10. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
11. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
12. Any individual who violates any of the above restrictions may be subject to termination.

As disclosed in the preceding section of this Brochure (Item 10), some related persons of our firm are separately registered as securities representatives of a broker-dealer, investment adviser representatives of another registered investment adviser, and/or licensed as an insurance agent/broker of various insurance companies. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

## **Item 12: Brokerage Practices**

Chesapeake Financial Group requires that clients receiving discretionary asset management services provide CFG with written authority in CFG's Investment Advisory Agreement to determine the broker-dealer to use and, by extension, the commission costs that will be charged to those clients for these transactions.

CFG maintains a list of approved broker-dealers/custodians ("Approved List") that CFG may use to execute transactions and provide custody for client portfolios. This list is available upon request.

Clients must include any limitations on this discretionary authority in CFG's Investment Policy Statement (IPS), which is an official amendment to the Investment Advisory Agreement. Clients may change/amend these limitations as required. Such limitations and amendments become effective only after they are provided to and agreed upon by CFG in writing.

Chesapeake Financial Group may block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. CFG may aggregate trades among clients whose accounts can be traded at a given broker on the Approved List. Chesapeake Investment Group's block trading policy and procedures are as follows:

1. Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Chesapeake Investment Group, or our firm's order allocation policy.
2. The trader and/or portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
3. The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable CFG to seek best execution for, each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
4. If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
5. Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.



6. If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by a Compliance Officer immediately, or if no Compliance Officer is available, as soon as reasonably possible following the execution of the aggregate trade.
7. Chesapeake Financial Group's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
8. Funds and securities for aggregated orders are clearly identified on Chesapeake Investment Group's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
9. No client or account will be favored over another.

Chesapeake Financial Group may require that clients establish brokerage accounts with one or more of the brokers/custodians on the Approved List. These firms maintain custody of clients' assets and to effect trades for their accounts. CFG may also recommend or require the use of a specific broker/custodian from the Approved List for clients' accounts depending on the CFG service provided. Although CFG may recommend and/or require that clients establish accounts with a firm on the Approved List, it is the client's decision to choose the service provided by CFG. In turn, unless expressly stated otherwise, it is the client's decision to custody the assets with the recommended/required firm from the Approved List. CFG is independently owned and operated and not affiliated with any firm on the Approved List.

Firms on the Approved List often provide Chesapeake Financial Group with access to their institutional trading and custody services, which are typically not available to retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a specified minimum dollar amount of the adviser's clients' assets are maintained in accounts at these respective firms. As part of standard, packaged brokerage and custodial agreements, these firms' 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. These non-trade execution products and services are not in connection with *client* securities transactions. CFG's standard, packaged service agreement with Schwab, as described above, is based on having a certain amount of CFGs' clients' assets held in custody with Schwab and not connected to the quantity of transactions nor revenue generated from such transactions.

For our client accounts maintained in its custody, firms on the Approved List generally do not charge separately for custody services. These firms are compensated by account holders through commissions and other transaction-related or asset-based fees for executed or settled securities trades.

Firms on the Approved List also make available to Chesapeake other products and services that benefit Chesapeake Financial Group 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 client accounts, including accounts not maintained at the particular firm that provided the product or service.

Products and services provided by firms on the Approved List that assist us in managing and administering our clients' accounts include software and other technology that:

1. provide access to client account data (such as trade confirmations and account statements);
2. facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
3. provide research, pricing and other market data;

4. facilitate payment of our fees from clients' accounts; and
5. assist with back-office functions, recordkeeping and client reporting.

Firms on the Approved List also offer other services intended to help us manage and further develop our business enterprise. These services may include:

1. compliance, legal and business consulting;
2. publications and conferences on practice management and business succession; and
3. access to employee benefits providers, human capital consultants and insurance providers.

Firms on the Approved List may make available, arrange and/or pay third-party vendors for the types of services rendered to Chesapeake Financial Group. These firms may discount or waive fees that they 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 our firm. They may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend or require that clients custody their assets at these firms, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by these firms, which may create a potential conflict of interest.

### **Item 13: Review of Accounts**

#### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

The parameters for account reviews listed in this section apply to the services listed below, which are described in “Item 4: Advisory Services” of this brochure.

- Premium Asset Management Services (Item 4, Section I.A)
- Chesapeake Asset Management Services (Item 4, Section I.B)
- Premium Sub-advisory Services (Item 4, Section III.A)

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables that may include, but not be limited to, the client's individual circumstances, or the market, political or economic environment.

At least one of the following officers reviews these accounts:

- Mark Monroe, President
- David Homard, Chief Investment Officer
- Greg Spryn, Senior Investment Officer
- Chris Sikes, Chief Compliance Officer

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, we provide quarterly reports summarizing account performance, balances and holdings.

#### **PORTFOLIO MANAGEMENT SERVICES**

The parameters for account reviews listed in this section apply to the services listed below, which are described in “Item 4: Advisory Services” of this brochure.

- Client-Directed Investment Services (Item 4, Section II)
- Dominion Asset Allocation Services (Item 4, Section III.B)

**REVIEWS:** Portfolio Management accounts listed above are reviewed on a periodic basis at least annually. Accounts are reviewed in the context of the contracted services outlined in the client agreement. More frequent reviews may be triggered by material changes in variables including, but not limited to, the client's or firm's circumstances, or the market, political or economic environment.

At least one of the following officers reviews these accounts:

- Mark Monroe, President
- David Homard, Chief Investment Officer
- Greg Spryn, Senior Investment Officer
- Chris Sikes, Chief Compliance Officer

**REPORTS:** In addition to the monthly statements and confirmations of transactions that Portfolio Management Services clients receive from their custodian, CFG will provide reports where applicable at least annually. These reports may include balances and holdings.

## **Item 14: Client Referrals and Other Compensation**

### **CLIENT REFERRALS**

Our firm may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document (our Firm Brochure) and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, any referral fees paid by CFG to solicitors do not increase the advisory fees paid by clients to CFG.

### **OTHER COMPENSATION**

Our firm and/or our officers and representatives may be eligible to receive incentive awards (including prizes such as trips or bonuses) for recommending certain types of investment services or insurance products.

While we endeavor at all times to put the interest of our clients first as part of our fiduciary duty, the possibility of receiving incentive awards creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

## **Item 15: Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts. As part of this billing process, CFG advises the client's account custodian of the amount of the fee to deduct from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period, including any advisory fees.

Chesapeake Financial Group, not the custodian, calculates the amount of the advisory fee to be deducted. It is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

Our firm does not have actual or constructive custody of client accounts.

## **Item 16: Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell; and/or
- determine the timing of the security to buy or sell

Clients give Chesapeake Financial Group discretionary authority when they sign a managed Investment Advisory Agreement with our firm for the account(s) specified in the agreement. An executed managed Investment Advisory Agreement provides CFG written authority to determine which securities, the amounts of securities, and the timing of transactions for securities that are bought or sold in the specified account(s). Sometimes clients may limit this authority by giving us written instructions, such as in the Constraints section of the Investment Policy Statement (IPS). The IPS is an amendment to and official part of the Investment Advisory Agreement. Clients may also change/amend such limitations by once again providing us with written instructions in an updated IPS. These limitations become effective only after they are provided to and agreed upon by CFG in writing.

Some clients may engage Chesapeake Financial Group for services that do not include discretionary authority. In these cases the signed directed Investment Advisory Agreement does not grant CFG discretionary authority, and CFG does not use discretionary authority.

Refer to “Item 4 - Advisory Business” in this brochure to determine whether your service authorizes discretion or not.

## Item 17: Voting Client Securities

CFG usually votes proxies for all client accounts managed with discretion with some exceptions, including, but not limited to:

1. Accounts for which CFG has no discretionary authority.
2. Accounts for which CFG serves as a sub-advisor: for these accounts the account owner and/or their primary advisor hold responsibility to vote proxies and other corporate actions.
3. Securities of Chesapeake Financial Shares, Inc.: CFG does not vote proxies or other corporate actions for any securities of our parent company, Chesapeake Financial Shares, Inc., including that company's common stock, symbol CPKF.
4. Accounts for which the account owner has instructed CFG in writing to not vote proxies.
5. Specific proxies that present a conflict of interest for CFG. For these proxies we refer the voting right to the client.
6. ERISA-covered Retirement Plans: CFG will not vote proxies unless specifically agreed to in the Investment Advisory Agreement for the Plan.

CFG will vote proxies in the best interests of its clients and in accordance with our established policies and procedures. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular action, we will either abstain from voting that particular proxy and refer that voting right to the client, or notify the client of the conflict and retain an independent third-party to cast a vote.

Except for circumstances as noted above, Chesapeake Financial Group votes proxies in accordance with Glass Lewis proxy voting recommendations.

You always have the right to vote proxies yourself. You can exercise this right by instructing us in writing to not vote proxies in your account. If you would like to vote proxies according to particular criteria (for example, to always vote with management, or to vote for or against a proposal to allow a so-called "poison pill" defense against a possible takeover) on any one or all proxy contests for your investments, you must elect to vote all proxies yourself. If you choose to vote proxies yourself, you may receive shareholder materials other than proxy ballots. To elect to vote all proxies yourself, contact a CFG Compliance Officer by telephone, email ([cig@chesvest.com](mailto:cig@chesvest.com)), or in writing.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting a CFG Compliance Officer by telephone, email ([cig@chesvest.com](mailto:cig@chesvest.com)), or in writing. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client. We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

To direct us to vote a proxy in a particular manner, clients should contact a CFG Compliance Officer by telephone, email ([cig@chesvest.com](mailto:cig@chesvest.com)), or in writing. If you have any questions about our proxy voting process or wish to discuss any specific proxy ballots or other corporate actions you may contact a CFG Compliance Officer by telephone, email ([cig@chesvest.com](mailto:cig@chesvest.com)), or in writing.

**Item 18: Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$500.00 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. At this time we are not aware of any financial conditions that are reasonably likely to impair our ability to meet our contractual obligations.

Chesapeake Financial Group has not been the subject of a bankruptcy petition at any time during the past ten years.

**If you have any questions about anything contained in this brochure please contact Chesapeake Investment Group at 757-253-9088 or [cig@chesvest.com](mailto:cig@chesvest.com).**