

Brochure

Chelsea Advisors, LLC

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This brochure provides information about the qualifications and business practices of Chelsea Advisors, LLC. If you have questions about the contents of this brochure, please contact us at 312.463.1306. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Chelsea Advisors, LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

Chelsea Advisors, LLC is a registered investment advisor with the SEC. Registration does not imply a certain level of skill or training.

March 2013

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MATERIAL CHANGES FROM MARCH 2012 BROCHURE

Updated Table of Contents

Pages 5-6: Changed heading from “Investment Services Excluding Fixed Income and Private Equity” to “Investment Services Excluding Fixed Income.” The heading, “Sub-Advisor Services—Equity Portfolios and Moderate Volatility”, was changed to “Sub-Advisor Services—Equity Portfolios and Private Equity.” Finally, the heading, “Sub-Advisor Services—Fixed Income and Private Equity”, was changed to “Sub-Advisor Services—Fixed Income.”

The intention behind the various heading changes is to reduce the cost to clients, remove a possible conflict of interest and simplify the billing structure. At this point, Sub-Advisor Equity, Private Equity and Chelsea Managed are charged at an annual rate of 1% on the first \$500,000, .75% on the next \$500,000 and .5% on billable assets beyond \$1,000,000. All assets in each of those categories are aggregated to make the computation. As before, additional charges will be imposed by Chelsea’s agent, the Sub-Advisors and the Private Equity provider. Please read the brochure for further details on the simplified structure.

There has been no change related to the billing structure related to fixed income.

The “Moderate Volatility” investment strategy was deleted from the billable categories because the strategy was abandoned.

Advisory Business

Chelsea Advisors, LLC (“Chelsea” or the “Firm.”) is a registered investment advisor created in June 2004 to provide service in three areas: Financial Planning services, Investment services and Tax services.

The Firm was founded by Craig D. Stepnicka, the Managing Member, and began to charge for investing client assets in October 2004. The Firm is wholly owned by Mr. Stepnicka.

The Firm is fee only. No amount is received as a commission.

The following will discuss each element of service. You may choose one service, any combination of offered services or all of the services.

Financial Planning Service

When you select the financial planning service, Chelsea may provide one or more of the following service elements:

- Estate and gift tax planning and review
- Retirement planning
- Income tax planning (including tax strategies aimed at reducing or deferring tax liabilities)
- Budget analysis and review
- Cash flow planning
- Life and disability insurance needs analysis
- Asset allocation advice including investment consultation as it relates to understanding the asset allocation process
- Investment management for nondiscretionary accounts

Chelsea may also provide assistance in the administrative implementation of services on behalf of your immediate family including, but not limited to, processing paperwork and executing transactions in an order-taking capacity with various financial institutions serving as custodians of your assets.

Chelsea gathers information from you to assist in defining your short and long term financial objectives. Based on the personal and financial information obtained, Chelsea analyzes your current financial position, investments and employment benefits to assess the adequacy of the existing resources to satisfy your objectives. Suggestions may be made to increase the likelihood that your objectives will be realized. If you agree with the suggestions, Chelsea implements the suggestions.

Tax Service

This aspect of service has two parts: Tax Return Preparation Service and Tax Advisory Service. When requested, Chelsea will prepare federal and state income tax returns for those clients who use its Financial Planning or Investment Services (described below). Chelsea is also available to provide Tax Advisory Services with respect to specific, more extensive tax issues requiring research which may pertain to the clients using the Financial Planning, Tax Return Preparation or Investment Services.

Investment Services

Chelsea offers two investment services (collectively “Investment Services”). The Firm manages clients’ assets using Sub-Advisors. The Firm also manages money itself. To distinguish the two types of investment services, the Sub-Advisor service is referred to as Sub-Advisor services while the Chelsea managed arrangement is Chelsea Managed services.

At March 4, 2013, the Firm managed \$100,785,610 on a discretionary basis (\$90,299,695 Chelsea Managed and \$10,485,915 Sub-Advised). The Firm managed \$1,741,823 on a nondiscretionary basis. The nondiscretionary advice pertains to employer provided qualified and non-qualified retirement plans and other accounts when you request Chelsea’s involvement. Chelsea’s compensation for this service is part of the fixed fee for Financial Planning Service.

The Firm believes that asset allocation is the primary driver of investment returns and risk management. Accordingly, Chelsea engages you on a regular basis in discussions on risk, reward and the importance of balance in portfolio design. The dialogue attempts to define your views as to the allocation of the investment assets. The division of assets between Sub-Advisors and Chelsea Managed is determined by a judgment as to how best address your allocation targets.

Sub-Advisor Services

When you use the Sub-Advisor services, Chelsea will select one or more of registered investment advisors to serve as investment manager of the assets dedicated to that manager. Chelsea may employ the services of other firms as it deems necessary to fulfill its obligations in selecting, monitoring and otherwise determining the suitability of Sub-Advisors it recommends.

Chelsea’s selection of a Sub-Advisor(s) for you is based on your goals, objectives and asset allocation decisions. Each Sub-Advisor will implement a specific investment strategy and philosophy that individually, or combined with other Sub-Advisors, Private Investments (defined below) or assets which are Chelsea Managed, will serve to meet your asset allocation decisions and advance your objectives.

Each Sub-Advisor will have discretion to manage the funds placed in a separate account by investing in various securities. Chelsea (directly or through its authorized agent which currently is Greenrock Research, Inc. or “Greenrock”) will monitor the organization, investment philosophy and performance of each Sub-Advisor as well as the economy, investment climate and competitive market environment for the securities being managed. As a result, Chelsea will provide ongoing management services with respect to your investment assets. Over time, Chelsea may select additional or different Sub-Advisors and transfer or otherwise reallocate your portfolio assets among Sub-Advisors (and enter into agreements with these Sub-Advisors).

As an aspect of the Sub-Advisory service, Chelsea may recommend for you an investment in a private equity or a hedge fund investment (each a Private Investment) to meet a specific objective. The sponsors of Private Investments may impose certain conditions prior to accepting an investor. These conditions are generally described in the subscription or investment agreement and/or private placement memorandum for a particular Private Investment. As with any type of investment, Chelsea will only present a particular Private Investment to you when Chelsea believes the Private Investment would be in your best interest. The Firm will only present such investments to clients who have a risk tolerance and adequate net worth to accept the limited liquidity these investments provide.

Frequently, the entity created to manage the Private Investment will be exempt from registration as a registered investment advisor. Chelsea will not be involved in selecting or monitoring the underlying individual securities of each Private Investment and will rely solely on the expertise of the entity managing the assets. Chelsea (either directly or through Greenrock or other agent) will monitor the organization, investment philosophy and performance of the fund manager or issuer with respect to each Private Investment.

Each client grants Chelsea discretion in an engagement letter the authority to purchase and sell securities that constitute the client’s investment portfolio, to engage and terminate Sub-Advisors, and to reallocate assets among Sub-Advisors and Chelsea Managed accounts.

Chelsea Managed Services

When you use the Chelsea Managed service, Chelsea will manage on a discretionary basis the assets dedicated to it by primarily selecting open and closed end mutual funds, exchange traded funds and exchange traded notes. You will have exposure to domestic equities, foreign developed country equities, emerging country equities, domestic fixed income, developed country fixed income, emerging country fixed income, domestic and foreign real estate and alternative investments. Alternative investments include risk parity strategies, long-short equity, long-short fixed income, futures, currencies, commodities, natural resources, master limited partnerships, global macro strategies and other non-traditional investments. The Firm believes that a mix of active and passive management is appropriate. Individually traded common and preferred securities may comprise a portion (generally not more than 20%) of the portfolio. Master limited partnerships may be purchased as individual securities, exchange traded notes or funds or through mutual funds. Option contracts (puts and calls, both covered and uncovered) may be utilized but only as specifically authorized by you.

Chelsea's objective is to fulfill the asset allocation targets agreed to with you taking into account assets managed in Sub-Advised and Chelsea Managed relationships, not managed by Chelsea or which exist in employer sponsored retirement plans. Toward this end, Chelsea will provide regular and continuous management of the Chelsea Managed assets, including the purchase, sale, retention or other disposition of securities, all on a discretionary basis. When you request, Chelsea will also provide regular and continuous investment advice on a nondiscretionary basis on investments in employer sponsored qualified and non-qualified retirement plans and other accounts. The overall client portfolio will be rebalanced at least annually to maintain the asset allocation targets.

Fees and Compensation

Financial Planning Service

Chelsea's fees for Financial Planning Services are either a fixed annual fee or hourly rate fee. The fees charged for financial planning will depend on individual circumstances of each client and are negotiable. Fixed fee engagements are priced based on the estimated time required to perform the services and the services being performed. When you request our ongoing advice on assets in nondiscretionary accounts, we will take into account the value of the assets for which we will be responsible and include our fee for this service as part of the fee for Financial Planning Service. Fixed fee engagements currently range from \$1,250 to \$10,000 annually. The current Chelsea administrative and professional per hour rates are \$125 and \$390, respectively.

Tax Services

Chelsea's fees for the tax return preparation service may be included as part of the Financial Planning Service or determined separately on a per hour basis for the personnel spending time on the preparation of the returns. Currently, the rate used for Tax Return Preparation Service is \$200 for advisor time and \$125 per hour for staff time. This rate may be adjusted periodically with notice to you of the change. The engagement letter signed by you reflects whether the service has been included in the fee for Financial Planning Services or determined separately.

Chelsea's fees for Tax Advisory Services are generally not included as part of the fee for the Financial Planning Service or Tax Return Preparation Service, but are determined separately on a per hour basis. Currently, the rate used for Tax Advisory Service is \$390 per hour. These rates may be adjusted periodically with notice to you of the change.

Investment Services Excluding Fixed Income

Chelsea's Investment Services fees are based on the aggregate value of the managed portfolios at the beginning of the quarterly billing period. Chelsea has a \$500,000 minimum account size as a condition of accepting an account. Chelsea's fees and minimum account size are negotiable. The Fixed Income Portfolio is billed exclusively through the Sub-Advisor Fixed Income category. All other managed assets (Chelsea Managed, Private Equity and Sub-Advisor Equity) are billed as Investment Services and Sub-Advisor Services.

The Investment Services fee applicable to Chelsea Managed Services, Private Equity and Sub-Advisors Equity (except Fixed Income) is:

	Annual Fee
First \$500,000	1.00%
Next \$500,000	.75%
Over \$1,000,000	.50%

Sub-Advisor Services—Equity Portfolios and Private Equity

Chelsea's fees where it selects Sub-Advisors to manage assets are calculated on the value of the portfolios in the particular asset category (taxable and municipal fixed income, private equity, and equity) at the beginning of the quarterly billing period. The Sub-Advisor may set minimum account sizes as a condition of accepting an account. Chelsea's fees are negotiable.

The additional fees beyond that reflected immediately above for Private Equity and Sub-Advisor Equity are:

	Annual Fee	Sub-Advisor	Agent	Chelsea
Equity Portfolios*				
All Value Billed	.60%	.50%*	.10%	--
Private Equity**				
All Value Billed	.10%	--**	.10%	--

Sub-Advisor Services—Fixed Income

The fee schedule for Fixed Income Portfolios is:

	Annual Fee	Sub-Advisor	Agent	Chelsea
Taxable and Municipal Fixed Income*				
First \$1,000,000	.70%	.30%	.10%	.30%
Next \$2,000,000	.60%	.30%	.10%	.20%
Over \$3,000,000	.50%	.30%	.10%	.10%

*Certain Sub-Advisors charge Chelsea at a different rate than reflected in the Sub-Advisor fee schedule. If you choose a Sub-Advisor with a different rate, the difference (plus or minus) will be reflected in your bill. Prior to initiating service with a Sub-Advisor with a different rate than the schedule, you will be notified of the fee difference.

**A client who has assets managed in the Private Equity category will incur an internal management charge from the investment in addition to the charge from Chelsea.

Applicable to All Investment Services

Sub-Advised and Chelsea Managed accounts are billed at the beginning of the calendar quarter, multiplied by the appropriate percentages for each service and asset category and divided by 4 to determine the fee for a quarter. The Equity and Private Equity Sub-Advisor assets and the Chelsea Managed assets at their respective values are billed in aggregate. For the Sub-Advised accounts, all your assets in each asset category are aggregated to calculate the fee. New accounts started at other than the beginning of a quarter will be billed from the date service began to bring them to a calendar quarter billing cycle. Related client accounts will also be aggregated in the calculation of fees. Related accounts include husband and wife, parents and minor children, individuals and partnerships they control. Generally, irrevocable trusts will be related to their grantor or trustee.

Fees are payable in advance and generally are charged directly to, and deducted from, your account maintained by the custodian upon debit instructions to the custodian as authorized by you in the engagement letter and account paperwork. You, not the custodian, are responsible for confirming the accuracy of the fee calculation. You may request to be billed for Investment Services directly rather than having fees withdrawn from your accounts.

Mutual funds (open and closed ended) and exchange traded funds and notes incur an internal management and administrative charges, thereby reducing the value of these investments.

When you pay Investment Service fees to the Firm, and a Sub-Advisor or Chelsea includes these investments as part of an account, you incur both the internal charge to the investment and Investment Service fee.

In addition to the Investment Service fees, you will incur brokerage costs and, for mutual funds which are not “no transaction fee” funds, a transaction fee to purchase and sell the fund. Any mutual fund included in a portfolio will be no-load or load waived.

Termination of Services and Refunds

You or Chelsea may terminate one, or all, of the services provided under the engagement letter at any time by written notice to the other party. The unearned portion of all prepaid fees will be refunded to you. For fixed fee Financial Planning and Investment Service fees, the calculation of the unearned fee is measured by the remaining time in the quarter based on an actual day count from the time notice of termination is received. There is no refund of hourly charges.

Performance-Based Fees

Chelsea does not charge performance based fees. Certain Private Equity or other underlying investments in a portfolio charge performance based fees. Chelsea believes there is no conflict in this structure.

Types of Clients

Individuals comprise the high majority of Chelsea’s clients. With the exception of several legacy clients who have a smaller net worth, Chelsea’s clients have a net worth ranging from \$1,500,000 to over \$20,000,000. Chelsea also serves pension and profit sharing plans, trusts, estates, corporations and other business entities. The Firm does not provide service to banks and investment companies.

Methods of Analysis, Investment Strategies and Risk of Loss

Chelsea is an asset allocator. The intention is to understand your risk tolerances and design portfolios consistent with this risk objective. Return is a corollary of risk—the higher the risk, the higher the expected return. Similarly, the lower the risk, the lower the expected

return. The art of portfolio design is to balance risk and reward consistent with your objectives.

Asset allocation can be both strategic and tactical. Strategic allocations change infrequently. It is expressed as a range for each allocation category. Tactical allocation will move up and down within the range (and if the conviction is sufficiently strong, move outside the range or void the asset class altogether). Tactical allocation attempts to exploit momentum or valuation advantages where the belief is strong that the durability of the trend will continue for a sufficiently long period to allow for it to be exploited.

Chelsea uses both active and passive (index oriented) investments when constructing portfolios. Fees internal to an investment are considered when choices are made between competing investments to address an aspect of the asset allocation. Similarly, volatility for each investment is considered by itself but also in conjunction with its impact on the overall portfolio. Finally, the correlation of items in the portfolio is considered in the portfolio design in an attempt to blend components which do not highly correlate with each other to mitigate portfolio volatility.

Chelsea will include investments from three broad categories when constructing portfolios. Although the weights assigned to each category will be individualized for you, there generally will be fixed income (domestic and foreign), equity (domestic and foreign) and alternatives. Alternatives include those investments described previously under the topic Chelsea Managed Service.

Chelsea does not currently employ model portfolios but individualizes each portfolio to suit you. A portfolio may include multiple accounts with some Sub-Advised and others Chelsea managed.

Chelsea subscribes to research services which provide information on mutual funds, exchange traded funds, individual stocks, the technical environment for equity and fixed income securities and the general business environment. In evaluating investments to address a particular aspect of clients' asset allocation, Chelsea will chart the investment performance of one investment compared to others over various time periods to determine which to select. This analysis will take account of the various technical indicators associated with each choice. The evaluation process is ongoing and continues to assess the merits of the choices available. When a superior choice which addresses an asset class is determined, the prior choice may be sold and replaced by the new, dependent on tax considerations.

When you have agreed in advance, option strategies may be employed in an effort to reduce risk and enhance return.

Consistent with the overall strategic and tactical allocations in place, portfolios are rebalanced to the allocation targets at least annually. If the variance from the target allocation is greater than 10% and not supported by a tactical decision or client decision, a more frequent rebalancing will occur.

Risk of loss is present in all portfolios. Efforts to minimize risk include asset allocation, diversification through the use of exchange traded vehicles and mutual funds and the placement of non-correlating assets in a portfolio. The inclusion of baskets of securities through exchange traded vehicles and mutual funds diminish company specific risk associated with individual securities and credit risk associated with individual bonds. Nonetheless, a portfolio will be subject to systematic risk which is also known as market risk and relates to factors that affect the overall economy or securities markets. Systematic risk affects all companies, regardless of the company's financial condition, management, or capital structure, and, depending on the investment, can involve international as well as domestic factors. The major systemic risks include interest rate risk, currency risk, inflation risk, sociopolitical risk and liquidity risk. Even money market funds, which attempt to maintain a constant dollar value, are also subject to risk that the manager will fail in its attempt, thereby exposing the holder to risk of loss.

Disciplinary Information

The Firm and its employees have never been subject to any legal or disciplinary proceedings.

Other Financial Industry Activities and Affiliations

Chelsea provides financial planning, tax advisory and tax preparation services in addition to its investment service. The financial planning and tax work are available as a la carte services which you may use or not, as you choose.

Chelsea has no employee who is a registered representative of a broker-dealer. Chelsea's employees do not have a life insurance licenses, are not registered as a futures commission merchants, a commodity pool operator, a commodity trading advisor and are not associated with any such entities.

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

Chelsea has adopted a Code of Ethics ("Code") to which all employees are subject. All employees are required at the start of their employment with the Firm to acknowledge in writing that they have reviewed and understand the requirements of the Code and the Firm's Policy and Procedures Manual. The Code is designed to reinforce fiduciary principles including the goal of placing the Firm's clients first. In this connection, the Code requires that employee personal securities transactions must avoid any actual or potential conflict of

interest or any abuse of an employee's position of trust and responsibility. Additional Code principles include not taking advantage of client's positions, observing appropriate levels of confidentiality with respect to client's holdings and financial circumstances, and maintaining independence in making investment decisions affecting clients.

A copy of the Code of Ethics will be provided to any client or prospective client upon request.

Employees of Chelsea may buy or sell securities or investment products for their own account which are purchased, sold or retained in client's accounts by either Sub-Advisors or Chelsea. All employees are required to submit copies of brokerage trades in which they have a beneficial interest on a quarterly basis for review by the Firm's Chief Compliance Office.

Security transactions may be placed directly in your account or through a block transaction where a buy or sell for multiple clients occurs with an allocation to you after the consummation of the transaction. The price for a transaction will be the value at which the trade occurred if the trade occurs directly in your account. You will receive the average price when a block trade occurs. Employees of Chelsea may participate in the block trade and receive the average price, the same as clients. If a block trade does not completely fill, Chelsea employees will receive no allocation and the allocation among clients will be consistent with minimizing transaction costs. As a result, you may not receive a full or any allocation on a block trade.

Block trades generally will occur when less liquid securities are purchased or sold and when volatility in the markets make it impractical to place trades directly in client's accounts due to the variance in price each client would receive and the possibility that partial fills of the trade will result in transaction costs which are high relative to the value of the transaction. By placing a block trade, multiple trades may be placed as part of the block which allows the flexibility to change the price without incurring separate commissions. Commissions are assigned only on the allocation of the block trade to client accounts.

Chelsea believes the allocation of block trades presents a conflict. Until the trade is allocated, subsequent market movement can make the trade more or less favorable. Further, the selection of participants in the trade is open and subject to change. Chelsea attempts to mitigate the conflict by rotating the start and end point for allocation of block trades among clients so as to not favor people at the beginning, middle or end of the alphabet. Chelsea also attempts to minimize the conflict by allocating trades shortly after they have completed to reduce the effects of subsequent market movements. However, certain block trades are open until the market closes where subsequent market movement may present either a positive or negative to those receiving an allocation. The small nature of Chelsea's operations makes this result a consequence of its size. There is no separation of decision making regarding a purchase or sale and the trading and allocation operation.

Chelsea believes adherence to the fiduciary duty it owes you addresses the conflict. You are dependent on the good faith effort by Chelsea to act consistent with its fiduciary duty and even out over time the effects of subsequent market movement on the block trade process.

Brokerage Practices

Although Chelsea is deemed to have custody of your assets because Chelsea has the authority to withdraw assets from your accounts to pay Investment Service fees, Chelsea does not have actual custody of your assets. Your assets must be maintained at a “qualified custodian,” generally a broker-dealer or bank. Chelsea recommends clients use Charles Schwab & Co., Inc. (“Schwab”) as its qualified custodian. Schwab is a registered broker/dealer and a member of SIPC. Chelsea is independently owned and operated and not affiliated with Schwab. While Chelsea recommends that you use Schwab, it is your decision to open your account by entering into an agreement directly with Schwab. Chelsea does not open the account for you, although Chelsea will assist you by providing paperwork for your signature. Even though your account is maintained at Schwab, Chelsea can still use other brokers to execute trades for your account as described below.

Chelsea recommends Schwab as custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services.

The decision to recommend Schwab is based on its overall capability including, but not limited to the following factors:

- The combination of transaction execution service and asset custody service without separate charge
- The breadth of available investment products (stocks, bonds, mutual funds, exchange trade funds, etc.)
- Schwab’s reputation, financial strength and stability
- The quality of Schwab’s recordkeeping
- Its capability to execute, clear and settle trades
- Its capability to facilitate transfers and payments to and from accounts
- The competitiveness of the price of its services (and the willingness to negotiate the prices)
- The service oriented qualities of its personnel
- The availability of other products and services described below

Chelsea has negotiated with Schwab a competitive commission schedule. These rates are available to Chelsea clients. The Schwab commission rate includes compensation to them for the custody service they provide. In addition to commissions, Schwab receives compensation when you use their money market and other Schwab mutual funds based on an asset-based fee. Schwab also charges a flat dollar amount as a “prime broker” or “trade away” fee for each trade that Chelsea executes by a different broker/dealer where the securities bought or the funds from securities sold are settled into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker/dealer. Chelsea has determined that executing most trades through Schwab is consistent with

Chelsea's duty to seek the "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors. Certain strategies will result in better price for the securities than if executed through Schwab. In such cases, Chelsea has decided the benefit of the better price on the security offset the additional cost for the "prime broker" or "trade away" transactions.

When you retain a Sub-Advisor to manage a portfolio, the Sub-Advisor has the responsibility to determine the brokerage firm used for execution of transactions. Sub-Advisors may select Schwab or any other firm which the Sub-Advisor determines provides the best execution for a specific transaction. If a Sub-Advisor executes trades through other than Schwab, they arrange the delivery of the securities to Schwab. You will incur a prime broker or trade away fee if a Sub-Advisor executes a trade outside Schwab.

Chelsea receives no soft dollar credits from Schwab for transactions it or the Sub-Advisors generate through Schwab. However, Schwab does make available access to its institutional trading and custody services which are typically not available to its retail customers. These services are available on an unsolicited basis at no charge to independent firms such as Chelsea who have at least \$10,000,000 of client assets at Schwab. These services are not otherwise contingent upon Chelsea committing to Schwab any specific amount of business (assets in custody or trading). Schwab's services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available to institutional investors or would require a significantly higher minimum investment. Schwab also makes available other products and services that may benefit Chelsea but may not benefit its clients' accounts. Some of these other products and services assist Chelsea in managing and administering client's accounts. These services include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple accounts); provide research, pricing information and other market data; facilitate payment of Chelsea's fees from client accounts; and assist with back office functions, recordkeeping and client reporting. Schwab also makes available other services to help Chelsea manage and further its business enterprise. These services include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. Schwab may make available, arrange, and/or pay for these types of services rendered to Chelsea by independent third parties. Schwab 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 Chelsea. Chelsea has not used any third party service made available by Schwab.

The requirement to have at least \$10,000,000 of client assets at Schwab for us to enjoy use of Schwab's services at no charge may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and most favorable execution of your transactions. This is a potential conflict of interest. If we did not maintain the minimum assets at Schwab, Chelsea would incur a quarterly service fee of \$1,200. Chelsea believes, however, that our selection of Schwab as custodian and broker is in the best interests of our clients for the reasons described above.

Review of Accounts

Craig D. Stepnicka reviews Sub-Advised accounts on a quarterly basis. He also reviews Chelsea Managed accounts on a monthly or more frequent basis. During a review, the overall asset allocation is compared to the target for the client to determine if adjustment is necessary.

Client Referrals and Other Compensation

Chelsea does not compensate others for referrals. The Firm does not employ any referral solicitation entity and only receives referrals from satisfied clients who do not receive any fee reduction benefit for the referral. The economic benefit received from Schwab is described above.

Custody

Under government regulations, Chelsea is regarded as having custody of your assets because you authorize us to instruct Schwab to deduct our Investment Service fees from your account. Schwab maintains actual custody of your assets. Schwab provides clients monthly statements (by email or postal mail) which reflect transactions during the month and holdings at the end of the month. You should carefully review those statements promptly when you receive them. Quarterly, as part of the billing process, Chelsea compares the value of the billed portfolio to the quarter end brokerage statement for each account billed to learn if any discrepancy exists. Accrued interest and dividends are disregarded in computing invoices. If a discrepancy is found, it is resolved prior to invoices being sent out. You should also review the relevant Schwab statement with the values reflected on the Chelsea invoice to assure yourself of no discrepancy.

Investment Discretion

Chelsea only accepts accounts which grant it discretionary authority. All accounts are created in an identical manner, even accounts which serve as core accounts for assets you desire to custody at Schwab.

Each Chelsea client signs an engagement letter wherein you grant Chelsea the authority to purchase and sell securities which constitute your investment portfolio without your prior approval, to engage and terminate Sub-Advisors and to reallocate assets among Sub-Advisors and Chelsea Managed accounts. As a result, Chelsea has discretionary authority over your investment portfolio. In addition, when Sub-Advisors have been retained to manage some or your entire investment portfolio, the Sub-Advisor will have discretionary authority over your assets allocated to that Sub-Advisor for investment.

In addition, each client signs a limited power of attorney with respect to each brokerage account. Chelsea is granted by clients the authority to determine: (1) the securities to be purchased and sold, (2) the quantity of each security to be bought and sold, (3) the broker/dealer to use and (4) the commissions to be paid. There is no limitation on the authority granted Chelsea.

Voting Client Securities

Chelsea does not exercise proxy voting authority over your securities. Chelsea may give advice concerning proxy voting but exercises no authority to vote your proxies. If a material conflict arises in giving you advice on proxy voting questions, Chelsea will disclose to you the existence of the conflict.

You delegate to the Sub-Advisor the authority to vote proxies when a Sub-Advisor manages your account. In those instances where the Sub-Advisor disclaims proxy voting authority, you will be notified that you are responsible to vote the proxies.

Financial Information

Chelsea does not allow you to prepay fees 6 months or more in advance and therefore no disclosure is required in response to this topic.

BROCHURE SUPPLEMENT

Chelsea Advisors, LLC

Craig D. Stepnicka

Craig D. Stepnicka, Managing Member and Chief Compliance Officer, is the founder and sole owner of Chelsea Advisors, LLC. He was born August 5, 1949. He graduated from the University of Illinois in 1971 with an undergraduate degree in accounting and is a Certified Public Accountant. In 1974, he graduated from the University of Illinois Law School as an Order of the Coif recipient. His license to practice both law and public accounting are currently on inactive status.

Mr. Stepnicka joined Arthur Young in 1974 in the tax department and left the firm in 1989 as a Tax Partner. During his Arthur Young tenure, he served as the Director of Financial Planning for the Chicago office of the firm. His experience there ranged from serving private and publicly traded companies as their tax advisor to advising executives and high net worth individuals on tax and financial strategies.

In 1989, Mr. Stepnicka joined JMG Financial Group, Ltd. where he served as an advisor to, and money manager for, executives and high net worth individuals. He left JMG in 2004 to create Chelsea Advisors, LLC.

Mr. Stepnicka has not been disciplined at any time during his career.

Although Mr. Stepnicka provides other than investment services through Chelsea, all the revenue is reported through Chelsea's books and records. The activities other than investment management provided by Mr. Stepnicka include financial planning, tax advisory work and tax return preparation. By revenue, the investment service represents approximately 80% of the revenue and the other services 20%.

Chelsea is fee only and there is no other compensation than fees paid under retainer, hourly fees and investment management fees received by Chelsea for efforts by Mr. Stepnicka. Mr. Stepnicka will attend conferences, lunches and dinners provided by investment sponsors in an effort to further his understanding of investment products. He is not charged for his attendance at such events. He also has been invited to focus groups and received honorariums for such service.

Contact information for Mr. Stepnicka is 312.463.1306 and craig@chelseaadvisors.com. He can also be reached by mail at 223 W. Jackson Blvd. Suite 850, Chicago, IL 60606.