



Form ADV Part 2

The Brochure

This brochure provides information about the qualifications and business practices of Chesney & Company. If you have any questions about the contents of this brochure, please contact us at 888-426-2913. The information in this brochure has not been approved or verified by the United States Securities & Exchange Commission or by any state securities authority.

Additional information about Chesney & Company is also available on the SEC's website at www.adviserinfo.sec.gov.

Chesney & Company refers to itself as a Registered Investment Advisor ("RIA"). This should not be deemed to imply any certain level of skill or training.

Item 2

Material Changes

The last update of this Form ADV Part 2 was in January 2020. There have been no material changes to this document since the January 2020 update.

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Item 4

Advisory Business

Our Firm

Chesney & Company is a Registered Investment Advisor (“RIA”) under the Securities & Exchange Commission (“SEC”).

The firm was established in 1996 by Sheila M. Chesney, who remains the sole principal and 100% owner of the firm.

Sheila Chesney holds the Certified Financial Planner (“CFP”) designation and the Chartered Alternative Investment Analysis (“CAIA”) designation. She also holds a Master of Science degree in Financial Planning.

Sheila Chesney is a member of the National Association of Personal Financial Advisors (“NAPFA”) and the CFA Institute.

Our Business Model

Chesney & Company operates as a “virtual” business. We work with a small number of high net worth clients remotely. Our target clientele are active business owners and professionals. Our primary office is located at 6 Dairy Farm Road, Yemassee, South Carolina 29945.

We are a process-driven firm supported by a leading-edge technology platform. Our business is managed through Salesforce.com and all documents are stored in electronic format in NetDocuments. All email communication into and out of our firm is captured by SMARSH. Our portfolio accounting is outsourced to Black Diamond Portfolio Accounting (Jacksonville, FL). Our day-to-day business is run by our operations manager and selected work is handled by our operations manager, Lisa McFee. We are served by a number of outsourced providers: administrative services by ConsiderItDone (Jacksonville, TX), bookkeeping/payroll services by Soulsby Accounting Group (Bath, Ohio) and computer and technical support by Computer Sales & Services (Columbia, South Carolina).

Our virtual business model allows us to be operational at all times without interruption as long as one member of our team is able to access the internet and we are able to flexibly accommodate our client’s needs.

Our Services

Chesney & Company offers customized private wealth management to a small, select group of high-income business owners and professionals and high net worth retirees. The service provided to each client varies and can include financial planning, business consulting (concept, to start-up, to acquisition, to sale including valuation), investment analysis, and portfolio management. The scope of the engagement is defined by the client and the scope can change over time. There are no boilerplate customer engagements. We are highly selective in the clients that we accept and normally limit our client engagements to twenty-five or less. Our client engagement is renewed annually.

Our Philosophy

Chesney & Company firmly believes in the value of strategic planning. Our personal financial planning model incorporates the five critical pillars of a sound strategy: asset protection, income / spending, debt management, investment strategy and estate planning. We encourage all clients to develop a long-term plan and continually maintain the plan as their life situation changes.

Our investment philosophy stems from the work of Harold Gurgues (1983) and from David Swenson of Yale (1990). We believe that the primary drivers of investment performance are the trend of inflation in the economy and the cost of money (interest rates). Our portfolio provides opportunities to invest both in indirect investments (traditional stocks and bonds) as well as direct investments (real estate, private equity, venture capital, natural resources and selected special situations). We do not invest for short-term return. Capital needed in a short-term period (less than five years) should be maintained in cash and cash equivalents.

Our Assets Under Management

As of December 31, 2020, Chesney & Company managed total assets of \$72,078,785. We have discretion on indirectly held assets (stocks and bonds) only. Directly held (alternative investment) assets are non-discretionary.

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Fees and Compensation

Our Fee Structure

Chesney & Company charges an annual retainer for the service rendered to the client. We do not have a fee schedule for individual services. This annual retainer, billed quarterly in advance, is reflective of the client's situation, earned income, net worth, complexity of the situation, degree of activity of the client's portfolio strategy, and the scope of the services being offered. The agreed upon retainer is confirmed annually. Our minimum annual retainer is \$,6000 annually (\$1,500/quarter). Our maximum annual retainer is \$100,000 annually (\$25,000/quarter).

Billing Process

Clients are invoiced on a quarterly basis. The client can stipulate how they wish to pay our fee.

Additional Fees and Expenses

In addition to our advisory fees, clients should be aware that they may incur additional fees and expenses charged by custodians. Clients who participate in private partnerships will also incur management fees charged by those investment managers. These fees are stated in the prospectus ("PPM") which is provided to the client prior to investing. Clients who acquire private partnerships in retirement accounts will be charged a custodial fee by the custodian. Chesney & Company does not share in any of these fees.

Fees In Advance

Chesney & Company does not require payment of fees in advance.

Annual Engagement

Chesney & Company reviews each client engagement on a year-by-year basis. It is our belief that both parties should make a conscious decision to continue to be engaged based on the shared value proposition. Clients who fail to return a new signed engagement are presumed to be covered under the prior year engagement.

Compensation for Sale of Securities or Other Investment Products

Chesney & Company does not accept compensation for the sale of any securities or other investment products.

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Performance-Based Fees and Side-by-Side Management

Chesney & Company does not participate in either performance-based fees or side-by-side management agreements.

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Client Type

Client Profile

Chesney & Company work with a specific niche clientele. We are best suited to business owners and entrepreneurs and affluent retirees (accredited investors and qualified purchasers). Our firm's business model and investment strategy are best suited to clients who are looking for creative strategic planning and who have a long-term orientation even incorporating legacy planning.

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Methods of Analysis, Investment Strategies and Risk of Loss

Investment Philosophy

Chesney & Company believes in the "endowment model" which incorporates both indirect asset classes (traditional stocks and bonds) and direct assets (defined as "alternative investments").

We believe that the primary driver of returns for both classifications is the level (and trend) of inflation and interest rates in the economy. We believe that over very long-term periods that markets are cyclical. We believe that these cycles can be very long (even generational). We further believe that successful investing requires that the investor have some advantage or "edge" and that the primary basis for this

advantage is two-fold: time horizon and behavioral. The average investor can gain an advantage only by thinking long-term, developing skill in a niche, and by taking advantage of the irrational behavior and psychological flaws (biases) of investors. We do not believe that the average investor in the traditional markets can gain an information or analytical advantage and has no ability to successfully gain an advantage in the short-term.

We believe in liability-driven investing (“LDI”) whereby the allocation of capital is laddered over time with the realization of returns weighted to the timing of the need for distributions. We believe that the fewer decisions the investor can make, the higher probability of a positive long-term outcome. History shows through centuries of data that the greatest amount of wealth has been gained through ownership of operating businesses and real estate and that most significant wealth is not diversified. However, we do believe in diversification but not naïve diversification (simply spreading capital across a range of assets). We believe in looking for contrarian opportunities.

Our typical client will often have a significant percentage of their personal net worth in directly held investments (operating businesses, real estate or real estate partnerships, land and timberland or farmland, 1st mortgage liens, art, vintage cars, wine) and, consequently, the assets managed by Chesney & Company may be highly concentrated and non-diversified according to the client’s asset preferences.

Asset Allocation

Our default asset allocation assumes a balance between indirect assets and direct assets (50-50) when there is no definable rising or falling trend in the rate of inflation and when interest rates are in the normal range. The recommended balance can and will change depending on the economic environment and the client’s actual portfolio will depend on their personal holdings and their asset preferences.

Direct Platform

Chesney & Company provides access to private investments for clients who do not have the skill to acquire these assets directly. For those clients who wish to participate in the direct asset classes through partnerships we have a range of relationships to connect them with. Our platform has been cultivated over the past twenty years. This does not guarantee results. What it does, however, is increase the odds of success by:

- Focusing on managers with a well-defined skill and track record of success and who stay within their circle of competence.
- Deploying capital to managers who evidence a significant alignment of interest with their investors (“eat their own cooking”) and establish fair fee structures and share of profits; and
- Have an impeccable reputation for honest dealings and integrity acknowledged throughout our wide network.

We do not consider package products offered by distributors. We have built relationships with principals of a group of firms and have cultivated these relationships over time. We bring their offerings to our clients. These offerings are discretionary in nature and the client makes the final decision depending on their personal risk tolerance and asset preferences. We communicate with our managers extensively, meet regularly and because of our longstanding relationship have the ability to directly connect our client to the manager. In making the decision to invest, we expect our client to be fully informed and,

consequently, require that clients sign an acknowledgement of discretion signifying that they took this investment direction purposefully.

Risk of Investing

All investing incurs risk. We view the primary risk to our clients to be that of failing to meet their long-term goals. The continual erosion of purchasing power through inflation means that investor must invest for sufficient reward (and, consequently, investment risk) to overcome the deleterious impact of inflation. Clients who invest in private partnerships must tolerate the risk of illiquidity which means the inability to access their capital when needed. Investing always places capital at risk and the permanent loss of capital is a risk in this portfolio as with all investment portfolios.

Our minimum time horizon for investing is a rolling five-year horizon and therefore we do not consider volatility in the short-term to be a risk factor that the client should consider.

Return Target and Benchmark

We seek positive returns relative to inflation. Our target objective is 5.5% over CPI. We use the very long-term average rate of U.S. inflation (CPI-U) of 2.2%. Private partnerships are generally held on the portfolio at original cost and, therefore, will not show a return until distributions are initiated and a final return (IRR) upon liquidation. Therefore, we provide clients with reporting that excludes alternative investments and reporting that includes alternative investments.

We benchmark our client's traditional portfolio against the corresponding returns on Berkshire Hathaway (NYSE: BRK/b).

Margin

Chesney & Company encourages all clients to add the margin feature to their primary brokerage account.

Chesney & Company's portfolio strategy does not deploy leverage unless requested by the client. However, all clients are made aware that we believe that the prudent use of margin can be an effective tool for the aspirational investor (seeking significant accumulation of wealth). A strategy that we believe has merit is called "durable margin" in which the client maintains a consistent percentage of margin versus the portfolio value over the investment lifetime. This determination is at the client's discretion.

Valuation of Illiquid Securities

Private Partnership interests are not "marked-to-market". The valuation of any private partnership unit (Limited Partnership interest) is provided only by the investment manager in writing. Chesney & Company assumes that the market value of any unit will remain at cost unless an updated valuation is provided by the investment firm. Chesney & Company offers clients the opportunity to invest in private partnerships in retirement accounts. Since these assets must be held by a custodian who accepts these assets on their books in custodial name, the custodian will have an established process of booking the asset, maintaining the asset and making any changes to the value of the asset. Generally, the custodian will not make any change to a valuation once the asset has been booked with documentation received directly from the

investment firm in writing. Chesney & Company uses the custodian's valuation as the basis for all taxable account valuations.

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Disciplinary Information

Chesney & Company has no disciplinary information to report.

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Other Financial Industry Activities and Affiliations

Chesney & Company is a shareholder (less than 1%) in the National Advisors Trust Company, Kansas City, Missouri. Chesney & Company may recommend National Advisors Trust Company to provide trust services to clients.

Sheila M. Chesney was previously a member of the board of directors of Dispersive Networks. She is currently an advisor to the company on communications strategy.

Sheila M. Chesney is a member of the board of managers of ZPower, LLC of Camarillo, CA.

These were and are uncompensated positions and all expenses related to performance of the assignment are paid by Chesney & Company.

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

Chesney & Company accepts a fiduciary responsibility to our client.

Chesney & Company's principal and staff may invest in the same investments recommended to clients. Chesney & Company's principal will invest in recommended private partnerships. In the case of limited opportunities, clients are offered the opportunity first and Chesney & Company's principal will invest only if there is availability after all clients have voiced interest.

Chesney & Company's principal may elect to invest in opportunities that are not offered to clients. Opportunities offered to clients are generally those that will have broad interest across the firm's clientele.

Chesney & Company's staff does not trade for their own accounts. Further, Chesney & Company does not trade actively, and the result of acting on the trades that we do make would not have the result of moving the price.

Chesney & Company strives to avoid all conflicts of interest but recognizes, that in business, this is not always possible. To that end:

- Chesney & Company does not accept gifts or enticements except those of nominal value.
- Chesney & Company pays all expenses related to our business including cost of travel, lodging, food, transportation.
- Chesney & Company neither buys securities from our clients nor sells securities that we own to our clients. Clients who wish to exit an investment are encouraged to contact the investment manager.
- Chesney & Company does not participate in IPOs.
- Chesney & Company seeks to engage to a material extent with private investment managers. To the extent that firms have opportunities to participate in investment steering committees, advisory boards, or, on a more formal basis, corporate boards (through observer rights or board representation), we are actively interested in that level of involvement. We acknowledge that this could (but does not necessarily) pose a potential conflict of interest. However, we believe that the benefits more than offset the potential for conflict by expanding our knowledge base and understanding of the business environment. We also do not maintain confidentiality on any issue that we believe should be brought to the attention of our client.

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Brokerage Practices

Best Execution

Chesney & Company utilizes the services of Charles Schwab & Company. We recognize that competitors to Charles Schwab offer similar and potentially less costly alliances. Charles Schwab provides superior services to the RIA community and to Chesney & Company clients. We believe this service is a significant benefit to our clients and that they would be less well served by another custodian. Access to this platform falls under the auspices of “safe harbor” soft dollar benefits.

Chesney & Company utilizes the custodial services of Equity Trust for the custody of private partnerships in retirement accounts. Equity Trust performs this service for a reasonable fee compared to its competitors. Chesney & Company receives no incentives for custody with Equity Trust. We offer all clients the option of investing in private partnerships in retirement accounts and, consequently, acknowledge that a custodian is required to support this transaction and that the custodian will charge a fee for this service.

Directed Brokerage

Chesney & Company directs brokerage to Charles Schwab.

Chesney & Company offers clients the opportunity to utilize National Advisors Trust Company for trust services. Sheila M. Chesney, our principal, is an investor in National Advisors Trust Company (<1%).

Chesney & Company directs clients who wish to participate in private partnerships in retirement accounts to Equity Trust.

Clients are free to direct brokerage if they prefer. Chesney & Company does not charge an asset under management fee ("AUM"). Clients who choose a different brokerage arrangement may incur a higher annual retainer.

Unique Engagements

Each client engagement is unique because of the range of wealth, experience, sophistication and needs. In the discretionary management of client's assets, each client is handled individually, and we do not generally batch trades unless a security is being sold across all portfolios.

Insider Trading

Chesney & Company does not act on insider information. In the exceedingly rare circumstances where inside information comes to us, the relevant security is excluded from consideration for our portfolio.

Item 13

Review of Accounts

Chesney & Company's offering is planning-centric. The actual client engagement is customized to the client's life situation and preferences.

Chesney & Company encourages all clients to actively participate in our planning process. Clients who do not participate on an annual basis will receive a letter after the second year reminding them that the failure to engage may mean that they are not suitable to our firm.

Chesney & Company provides access to portfolio reporting through Black Diamond Portfolio Reporting. All client portfolios are reviewed at least quarterly. Chesney & Company encourages all clients to have a planning meeting at least once annually. Chesney & Company encourages clients to have a portfolio review meeting at least once annually.

Portfolio Monitoring

Client portfolios are monitored at least on a quarterly basis by the principal, Sheila M. Chesney.

Reporting

Chesney & Company provides extensive reporting to clients at the annual meeting. Interim to the annual meeting, the client can access their portfolio reporting at any time with their personal login to our Black Diamond Portfolio Reporting platform.

Communication

Chesney & Company strives to build a highly personalized relationship with each client. Client communication is frequent and ongoing, and clients are encouraged to communicate as often as needed (even on a weekly basis). Chesney & Company regularly communicates with clients relative to broad planning issues or market issues and specifically to clients relative to portfolio investments. We encourage clients to participate actively in their investment strategy and, in particular, take time to read investment manager reports and take the opportunity to meet with investment managers who make themselves available on a regular basis.

Item 14

Client Referrals and Other Compensation

Chesney & Company does not pay for client referrals. Chesney & Company is a “fee-only” firm and does not receive compensation from any other source.

Item 15

Custody

Pooled Funds

Chesney & Company manages two pooled fund vehicles.

- A. Red Tail Real Estate Opportunity I, LLC (“Red Tail”)
- B. Grey Horse Partners, LLC (“Grey Horse”)

The current status of these funds are:

- Neither fund was offered broadly to investors outside the firm.
- Red Tail was opened to clients of the firm in 2007 and closed in 2007. It is in the process of liquidation with the target date of final liquidation 12/31/2020.
- Grey Horse was offered to clients in 2014 and closed in 2014.
- The asset in Grey Horse (NHCohen Partners) filed closing documents in March 2020.

Both securities are held on Chesney & Company’s books as “unmanaged” assets.

- The Red Tail PPM allows the manager an annual fee of 1% of committed capital (\$4.8M). The manager has reduced this fee following the original term to \$5,000 annually.
- Grey Horse Partners is allowed an annual fee of \$10,000 to the manager under the terms of the prospectus (“PPM”). The manager has elected to defer this fee until such time as a distribution is received from NHCohen Partners. The waterfall is stipulated in the PPM and Chesney & Company does not receive a share of the profits from the investment until the Limited Partners have received their preference and 100% return of capital.

Both funds are valued in the client portfolio based on the capital account value on their most recent Schedule K-1.

Neither fund undergoes either a surprise custody examination or an audit:

- By a super-majority vote of the LPs of Red Tail, the investors declined to pay this expense given the proximity to the final liquidation of this partnership.
- By a vote of 100% of the LPs of Grey Horse Partners, given that the underlying asset (NHCohen Capital is an audited entity), a surprise examination was declined.

The Limited Partners receive communications on an annual basis.

The Limited Partners of Red Tail must vote to extend the partnership each year.

Item 16

Investment Discretion

Discretionary Authority

Chesney & Company accepts discretionary authority for the indirect (traditional) portfolio only. Clients customarily do not impose any limitations on this authority. Clients execute a Limited Power of Attorney through the custodian.

Non-Discretionary Authority

Chesney & Company does not accept discretionary authority for direct investments (private partnerships). These investments are offered by subscription only to qualified investors (accredited investors or qualified purchasers) after the review of a prospectus ("PPM"). Clients are free to participate, or not, at their own discretion. Clients who do elect to participate must sign an acknowledgement that they did so at their own discretion and only upon being provided sufficient information to be fully informed.

Item 17

Anti-Money Laundering

Chesney & Company reviews all cashflow into or out of client custodial accounts on a daily basis looking for any unusual transactions. Any unexpected flow is investigated by our portfolio administrator. In the event that the flow is material and cannot be explained, it will be brought to the attention of the principal and she will take appropriate action.

Item 18

Cybersecurity

Chesney & Company takes security and the protection of client assets and information very seriously. Our technology platform allows the secure transfer of information within the firm and each of our staff members are transmitting information across different internet lines. Passwords are changed regularly, and two-level authentication is used if available. Client documents are shared by our secure ShareFile portal.

Chesney & Company's platform is cloud-based which eliminates the necessity of a "local" server. On an annual basis we confirm the cybersecurity processes with each of our providers:

- Salesforce.Com (CRM)
- NetDocuments (Document Management System)
- Black Diamond Portfolio Reporting (Portfolio account aggregation and reporting)

Item 19

Voting Client Securities

Proxies

Chesney & Company generally does not vote client securities. Clients receive proxies directly from the custodian. Chesney & Company assists clients in voting shares. Chesney & Company will assist the client when requested.

Item 20

Financial Information

Chesney & Company does not require or solicit prepayment of fees.