

Chapwood Capital Investment Management, LLC

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Form ADV, Part 2A; our “Disclosure Brochure” or “Brochure” as required by the Investment Advisers Act of 1940 is a very important document between Clients (you, your) and Chapwood Capital Investment Management, LLC (us, we, our). This Brochure provides information about our qualifications and business practices.

This brochure provides information about the qualifications and business practices of Chapwood Capital Investment Management, LLC (“Chapwood” or “Firm”). If you have any questions about the contents of this brochure, please contact us at (972) 865-2225. 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 Chapwood Capital Investment Management, LLC also is available at the SEC’s website www.adviserinfo.sec.gov (click on the link, select “investment adviser firm” and type in our firm name). Results will provide you both Part 1 and 2 of our Form ADV.

We are a registered investment adviser with the Securities and Exchange Commission. Our registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this Brochure, is information you use to evaluate us (and other advisers) which are factors in your decision to hire us or to continue to maintain a mutually beneficial relationship.

Item 2 – Material Changes

1. This section of the Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) www.adviserinfo.sec.gov.
2. There have been no material changes since our last brochure dated March 7, 2013, however, we have added a disclosure in Item 10 regarding the new Chapwood Fund, LP.
3. We may, at any time, update this Brochure and either send you a copy or offer to send you a copy (either by electronic means (email) or in hard copy form).
4. If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact our Chief Compliance Officer, Kim Sams, at (972) 865-2225 or kim@chapwoodinvestments.com.

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Item 4 – Advisory Business

Description of Advisory Services:

We have been in business since December 1, 2005. Our principal owners are Ed Butowsky and Kim Sams. Our total assets under management are \$241,160,000 million as of December 31, 2013, all managed on a non-discretionary basis.

We are a boutique investment management firm providing investment management services to high net worth individuals and family offices, both in their individual capacities and through trusts and family limited partnerships. We tailor our advisory services to the individual needs of our clients based on information provided to us by our clients regarding their financial needs and objectives. Clients may impose restrictions on investing in certain securities or types of securities.

We offer advice on the following types of securities:

- Exchange-listed equity securities
- Securities traded over-the-counter
- Municipal securities
- Mutual funds
- United States government securities
- Option contracts on securities
- Interests in partnerships investing in oil and gas interests
- Exchange Traded Funds
- Private investment funds, including private equity funds and hedge fund

We make recommendations to clients regarding which securities to buy and sell, when to buy and sell and in what amounts. We will not implement any trade or portfolio reallocation without your consent, either written or verbal.

As a core part of our investment advice, we recommend investments in Exchange Traded Funds (ETFs). ETFs may assess a management fee as a shareholder expense in addition to the management fee that we charge. Money market funds also assess a management fee as a shareholder expense.

You may close your account by giving us at least two days written notice. If you close your account, any management fees will be prorated to the termination date.

Item 5 – Fees and Compensation

Fee Schedule

Our standard investment management fee for separately managed accounts is 1.00%, although fees are negotiable. Fees are payable quarterly in arrears based upon the average monthly value of your account for the preceding three months. For clients who invest in a customized portfolio through Crystal Capital Fund Series, LLC, in addition to the 1.00% management fee, we may also charge a 10% performance allocation on the capital appreciation in the customized portfolio.

Fee Payment Options

As indicated in our advisory agreement with you, there are two options you may select to pay for our services:

- Direct debiting (preferred): at the inception of the relationship and each quarter thereafter, we will notify your custodian of the amount of the fee due and payable to us through our fee schedule and contract. The custodian does not validate or check the calculation of our fee. They will “deduct” the fee from your Account(s) or, if you have more than one account from the account you have designated to pay our advisory fees.
 - Each month, you will receive a statement directly from your custodian showing all transactions, positions and credits / debits into or from your account; the statements after the quarter end will reflect these transactions, including the advisory fee paid by you to us.
- Pay-by-check: At the inception of the Account and each quarter thereafter, we issue you an invoice for our services and you pay us by check or wire transfer within 15 days of the date of the invoice.

Additional Fees and Expenses:

Advisory fees payable to us do not include all the fees you will pay when we purchase or sell securities for your Account(s). The following list of fees or expenses are what you pay directly to third parties, whether a security is being purchased, sold or held in your Account(s) under our management. Fees charged are by the broker dealer / custodian.

We do not receive, directly or indirectly, any of these fees charged to you. They are paid to your broker, custodian or the mutual fund or other investment you hold. The fees include:

- Brokerage commissions;
- Transaction fees;
- Exchange fees;
- SEC fees;
- Advisory fees and administrative fees charged by Mutual Funds (MF), Exchange Traded Funds (ETFs)
- Advisory fees charged by sub-advisers (if any are used for your account);
- Custodial Fees;
- Deferred sales charges (on MF or annuities);
- Odd-Lot differentials;
- Deferred sales charges (charged by MFs);
- Transfer taxes;
- Wire transfer and electronic fund processing fees;
- Commissions or mark-ups / mark-downs on security transactions ;
- Among others that may be incurred.

You have the option to purchase investment products that we recommend through other brokers or agents that are not affiliated with us.

In addition, we do not have any person associated with us who receives (directly or indirectly) any compensation from the sale of securities or investments that are purchased or sold for your account. As a result, we are a “fee only” investment adviser. We do not have any potential conflicts of interest present that relate to any additional compensation from you or your assets that we manage.

Item 6 – Performance-Based Fees and Side-By-Side Management

We will only charge advisory fees on a share of the capital appreciation of the funds or securities in the accounts of clients who invest in customized portfolios through Crystal Capital Fund Series, LLC (so-called performance based fees). For these clients, in addition to the 1.00% management fee, we may also charge a 10% performance allocation on the capital appreciation in the customized portfolio.

Item 7 – Types of Clients

We provide our services to a number of types of Clients:

- Individuals, including high net worth individuals
- Trusts, estates and charitable organizations
- Family limited partnerships
- Private pooled investment vehicles

We generally impose a minimum account size of \$5 million, although we may accept accounts with fewer assets at our discretion.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Analysis:

When providing advisory services, we use Modern Portfolio Theory (MPT) management techniques. MPT techniques are concerned with investment analysis, portfolio design and performance evaluation. These methods quantify our views regarding risk and its relationship to investment returns. MPT focuses attention on the overall composition of the portfolio rather than the traditional method of analyzing and evaluating the individual components. It is our goal to design portfolios based on the specific risk-reward parameters defined by you and the portfolio objectives identified by you.

Investment Strategies:

We use an asset allocation approach based on MPT as our core investment strategy. Using this approach, we select a mix of asset classes among which we efficiently allocate your capital by matching rates of return to your specified tolerance for risk. We consider the covariance of assets in each portfolio to measure the diversification between assets. Covariance measures the degree to which returns on two assets move in tandem. A positive covariance means that asset returns move together. A negative covariance means returns move inversely. We seek to structure portfolios using assets that have low covariance, or correlation, with each other to provide diversification. We believe that the number of assets in a portfolio is less important than the relationship of those assets.

We use both Strategic Asset Allocation and Tactical Asset Allocation to structure and monitor portfolios. Strategic Asset Allocation uses historical data (mean rates of return, standard deviations and covariance) in an attempt to understand how the asset has performed and is likely to perform over long periods of time. The goal is not to “beat” the market, but to establish a long-term investment strategy using a core mix of assets. Tactical Asset Allocation uses periodic assumptions regarding the performance and characteristics of the assets and/or the economy. This approach attempts to improve portfolio performance by making “mid-course” changes in the long-term strategy based on near-term expectations.

Our approach to money management ignores the narrow approach of attempting to beat the performance of individual markets. We apply a much broader method of devising strategies which we believe will achieve your long-term objectives within specified risk parameters.

Risk of Loss:

All investments in securities include a risk of loss of your principal (invested amount) and any profits that have not been realized (the securities were not sold to “lock in” the profit). As you know, stock markets, bond markets fluctuate substantially over time. In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets we manage that may be out of our control. We will do our very best in the management of your assets; however, we cannot guarantee any level of performance or that you will not experience a loss of your account assets.

Item 9 – Disciplinary Information

We do not have any legal, financial or other “disciplinary” item to report to you. We are obligated to disclose any disciplinary event that would be material to you when evaluating us to initiate a Client / Adviser relationship, or to continue a Client /Adviser relationship with us.

This statement applies to our Firm, and every employee.

Item 10 – Other Financial Industry Activities and Affiliations

Both Ed Butowsky and Kim Sams are registered representatives of Waterford Capital, Inc., a registered broker-dealer in Dallas, Texas. Waterford Capital is not affiliated with Chapwood Capital Investment Management.

Blue Oak, LLC – Chapwood Fund, LLC

Mr. Butowsky is a principal of Blue Oak, LLC, a New York limited liability company (“Blue Oak”). Blue Oak is the General Partner of Chapwood Fund, LLC (“Chapwood Fund”) and acts as the Fund’s CPO. All investors admitted into the Chapwood Fund must be accredited investors. The minimum investment in the Access Fund will be \$50,000.

The Firm or its Advisors may recommend a security in which advisory personnel may directly or indirectly have an interest. For example, we may recommend that a client purchase an interest in the Chapwood Fund. The General Partner will receive a portion of the management and incentive fees charged by the Fund’s CTAs. Additionally, the fund will pay the general partner a performance fee. This compensation arrangement poses a conflict of interest to the extent that it creates a financial incentive to increase the fund’s assets and thereby increase the fees payable to the Firm’s affiliates. We are, however, constrained by fiduciary principles to act in our clients’ best interests when managing accounts and will invest clients in affiliated funds only when it is suitable to do so. We monitor activity in its clients’ accounts in an effort to ensure that transactions are appropriate. As a policy, all orders to purchase affiliated funds will be sold on a non-discretionary basis.

Mr. Butowsky is a partner in 720 Investor (“720”). 720 maintains a website that is utilized by companies currently raising capital for various reasons. The companies pay 720 a fee to feature them on their website giving investors the opportunity to learn more about them and potentially invest capital. The investments are not done through either Chapwood or Waterford Capital, Inc. Mr. Butowsky may discuss the site with Chapwood clients but no specific recommendations are made.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

As required by regulation, and because it’s good business, we have adopted a Code of Ethics that governs a number of potential conflicts of interest we have when providing our advisory services to you. This Code of Ethics is designed to ensure we meet our fiduciary obligation to you, our Client (or Prospective Client) and to create culture of compliance within our firm.

An additional benefit of our Code is to detect and prevent violations of securities laws, including our obligations we owe to you.

Our Code is comprehensive, is distributed to each employee at the time of hire, and annually thereafter (if there are changes). We also supplement the Code with annual training and on-going monitoring of employee activity.

Our Code includes the following:

- Our fiduciary duty to you
- Requirements related to the confidentiality of your information;
- Prohibitions on:
 - Insider trading (if we are in possession of material, non-public information);
 - Engaging in certain transactions
 - The acceptance of gifts and entertainment that exceed our policy standards;
- Reporting of gifts and business entertainment;
- Pre-clearance of employee and firm transactions;
- Reporting (on an on-going and quarterly basis) all personal securities transactions (what we call “reportable securities” as mandated by regulation); and,
- On an annual basis, we require all employees to re-certify receipt of our Code, submit a complete report of securities holdings and on a monthly basis to submit copies of all statements reflecting personal securities transactions in reportable securities.

Our Code does not prohibit personal trading by employees (or our firm). As a professional investment adviser, we follow our own advice. As a result, we may purchase or sell the same or similar securities (or securities that are suitable for an employee or related account but not suitable for any client, including you) at the same time that we place transactions for your account and the accounts of our other Clients. We have a Personal Trading Policy in place which requires all employees to provide statements or other documents to our Chief Compliance Officer for review. Our Chief Compliance Officer will review all personal trading to make sure that clients are given first priority on all trades and that personal transactions do not conflict with our clients’ interests.

Occasionally, we may suggest that a qualified client of ours become a limited partner in the Paramount Access Fund. This could create a conflict of interest because of Mr. Butowsky’s affiliation with this fund as its investment manager, trustee and Chief Executive Officer. Our Chief Compliance Officer will review any transaction between our clients and the Paramount Access Fund to make sure that each such transaction is suitable for the client and that all conflicts of interest have been disclosed.

You may request a complete copy of our Code by contacting us at the address, telephone or email on the cover page of this Part 2; attn.: Chief Compliance Officer.

Item 12 – Brokerage Practices

General Considerations – selecting / recommending brokers for Client transactions and commission charges:

When you accept our Investment Management Agreement, you will direct us to use one of our selected broker-dealers to execute and clear your trades. We currently use Charles Schwab and JP Morgan Chase as our brokerage custodians. We have selected these brokers based on their trading expertise, stature in the industry, net prices, execution ability, facilities, reliability, financial responsibility and managed account administrative services. We have entered into an Investment Adviser Services Agreement with these firms whereby they will provide, among other things, account administration, custody and brokerage services for our clients. While we believe that these firms provide our clients with competitive commission rates, you may pay commissions that are higher than those that you would pay at other broker-dealers.

Research and Other Soft Dollar Benefits:

We do not receive research or other products or services (“soft dollar benefits”) other than execution from any broker-dealer or other third party.

Brokerage for Client Referrals

We do not receive client referrals from the broker-dealers that we work with in exchange for using their services.

Directed Brokerage

Our practice of requiring you to direct us to execute transactions through one of our selected broker-dealers may make us unable to achieve most favorable execution of your transactions and this may cost you more money. Not all advisers require clients to direct brokerage transactions.

Principal Trading

We do not sell securities from or purchase securities in any account for which we have a beneficial interest.

Cross Transactions – Agency Cross Transactions

We do not sell securities to a client that were obtained from the account of another client.

Order Aggregation

We only aggregate orders belonging to related family accounts. Orders of two or more clients may be aggregated only if we determine, on an individual basis, that the securities order is in the best interests of each client participating in the order; consistent with our duty to obtain best execution; and consistent with the terms of the investment advisory agreement of each participating client.

Item 13 – Review of Accounts

We review all accounts at least monthly. Reviews are conducted by either Ed Butowsky, our Secretary, or Kim Sams, our President. We also conduct quarterly account reviews with each client, either in person or by telephone. All accounts receive the same level of review. We focus our reviews of client accounts on performance in relation to the state of the markets and the economy.

We do not generally prepare separate written reports for our clients unless requested. Any such reports would merely summarize the information contained in the monthly statements sent by the brokerage firms.

Item 14 – Client Referrals and Other Compensation

We do not receive any compensation or other economic benefit from a third party for providing investment advice or products to you.

We do enter into solicitation agreements with individuals to refer potential clients to us in return for a cash fee of 50% of the management fee charged to the account of each referred client. Each solicitor must disclose our solicitation agreement and must provide a copy of our current Form ADV and this brochure to each potential client.

We may from time to time compensate other individuals for client referrals.

Item 15 – Custody

We do not maintain custody of client funds. However, we do directly debit advisory fees from client accounts as discussed in Item 5 of this brochure.

You will receive account statements directly from the broker-dealer carrying your account. You should carefully review these statements and if you have any questions or concerns you should contact us immediately. If you are receiving separate statements from us, we urge you to compare our statements with the statements that you receive from your broker-dealer.

Item 16 – Investment Discretion

We do not have investment discretion over any client account.

Item 17 – Voting *Client* Securities (i.e., Proxy Voting)

We do not have authority to vote client securities. You will receive proxy voting material directly from the brokerage firm carrying your account. You are responsible for voting all proxies. If you have any questions regarding a particular proxy solicitation, please call us at (972) 865-2225.

Item 18 – Financial Information

We do not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance. We also do not have custody of client funds or securities.