

Chapman Investment Management, LLC

ADV Part 2A – Firm Brochure

Chapman Investment Management, LLC

701 Butterfield Road

San Anselmo, CA 94960

WWW.CHAPMANINVESTMENT.COM

May 2018

This brochure provides information about the qualifications and business practices of Chapman Investment Management, LLC. If you have any questions about the contents of this brochure, please contact us at 415-497-3885. The information in this brochure has not been approved or verified by the United States Security and Exchange Commission or by any state securities authority. Registration does not imply a certain level of skill or training.

Item 2 - Material Changes

This brochure provides information about the policies and practices of Chapman Investment Management, LLC. Since its last annual filing of the brochure on March 28, 2018, there have been the following changes:

- Our office address has changed to: 701 Butterfield Road San Anselmo, CA 94960
- Item 4: Assets Under Management have been updated

Our brochure may be requested by contacting Scott Chapman, Chief Executive Officer at scott@chapmaninvestment.com.

Item 3 - Table of Contents

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	4
Item 6 – Performance-Based Fees and Side-By-Side Management	5
Item 7 – Types of Clients.....	6
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	6
Item 9 – Disciplinary Information.....	7
Item 10 – Other Financial Industry Activities and Affiliations.....	7
Item 11 – Code of Ethics	7
Item 12 - Brokerage Practices	8
Item 13 – Review of Accounts.....	10
Item 14 – Client Referrals and Other Compensation.....	10
Item 15 – Custody	10
Item 16 – Investment Discretion	10
Item 17 – Voting Client Securities	11
Item 18 – Financial Information.....	11
Item 19 – Requirements for State-Registered Advisers.....	11
Part 2B: Item 1 – Cover Page.....	13

Item 4 - Advisory Business

Chapman Investment Management, LLC (“CIM”) was founded in January 2013 to provide professional discretionary portfolio management through separately managed accounts to individuals for taxable and retirement accounts, and to corporate pension plans, charitable foundations and academic endowments. The company is 100% owned by Scott A. Chapman.

Advisory Services

CIM offers discretionary investment management and investment advisory services in separately managed accounts utilizing primarily securities that include common stock, preferred stock, options contracts, corporate bonds, municipal bonds, U.S. government bonds and mutual funds. In limited circumstances, CIM may also use hedging techniques such as covered calls and puts.

CIM’s investment management services typically consist of strategic asset allocation and the selection and management of investments. The services may reflect directives communicated by the client to CIM from time to time in writing, including directives relating to investment objectives, income requirements, liquidity needs, time horizon, tax considerations and risk tolerance. Clients may impose restrictions on investing in certain securities or a percentage threshold for individual investments.

A client may make additions or withdrawals from the client’s portfolio account at any time, subject to CIM’s right to terminate an account if the amount of assets under management drops below our minimum account size. Additions to an account may be in cash or securities, provided that we may decline to accept particular securities into a client’s account or may liquidate the security if it is inconsistent with CIM’s investment strategy or the client’s investment objectives.

CIM generally requires clients to place and maintain a minimum of \$500,000 under management. Multiple related accounts may be aggregated to meet this minimum. Under certain circumstances, and in CIM’s discretion, the minimum account size requirement may be waived or altered.

Assets Under Management

As of December 31, 2017, total assets under management amounted to \$100,654,068. All assets are managed on a discretionary basis.

Item 5 – Fees and Compensation

CIM charges a tiered, percentage-based fee, based on the market value of the assets in the client’s account. All assets in the account are included in the fee assessment unless specifically identified in writing for exclusion. When CIM manages multiple accounts for a particular client, fee calculations may be based on the total assets under management across the multiple accounts. The management fee is billed quarterly in arrears and is calculated by multiplying the fair market value of cash and securities in the portfolio as of the close of the quarter, valued according to recognized and independent pricing sources, by the applicable quarterly percentage.

Clients customarily authorize CIM to deduct management fees directly from the client's custodial account. This authorization is granted under the terms of the client's investment management agreement and the client's instructions to the custodian. Clients, at their discretion, may choose to be billed directly and pay fees by check or wire.

Accounts that open or close during the quarter will be billed on a prorated basis for the partial quarter. The investment advisory agreement between CIM and its clients may be terminated at any time by either party upon the giving of thirty days written notice.

The management fee is determined in accordance with the fee structure below. In general, the fees are not negotiable.

Market Value of Account Assets	Annual Fee Rate
On the first \$10,000,000	1.00%, plus
Above \$10,000,000	0.50%
Fixed Income Accounts	0.50%

General Fee Disclosures

In addition to CIM's management fees, clients may incur charges imposed by their custodians and other third parties such as trading, brokerage, custodial, wire transfer fees and other transaction costs. Please refer to Item – 12 Brokerage Practices for additional details.

To the extent that client's accounts are invested in mutual funds or exchange-traded funds, the assets will incur a separate layer of management fees, trading, administrative, and other expenses which are described in each fund's offering documents. Clients will receive from the custodian or fund sponsor a copy of a fund prospectus for each fund in which they invest; CIM does not independently furnish any prospectuses. As required by law, a prospectus represents the fund's disclosure of its management and fee structure. In addition, a fund's prospectus can be obtained directly from the fund.

In response to adverse or unusual market or economic conditions, CIM may take temporary defensive positions in clients' accounts (e.g., cash). Clients should be aware that CIM's fees are greater than fees charged by firms that are focused primarily on cash management.

Clients whose assets are invested in bonds purchased directly from an underwriter may pay a sales credit or sales concession to the underwriter in lieu of a sales commission.

CIM receives no commissions or other compensation on investment products purchased or sold for client accounts.

Lower fees for comparable services may be available from other sources.

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

Item 6 is not applicable as CIM does not charge performance-based fees and does not engage in side-by-side management practices.

Item 7 – Types of Clients

CIM provides investment advisory and portfolio management services through separately-managed accounts to high net worth individuals, individuals, trusts, estates, endowments, foundations, charitable organizations, corporations and other business entities.

CIM generally requires a minimum of \$500,000 in assets under management for the establishment and maintenance of an investment advisory account. At its discretion, CIM may waive the minimum amount size based on the nature of the account and other factors, such as the historical relationship with the client, the number of related accounts, the account composition, the anticipated future earnings potential, and anticipated future additional assets.

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

Investment Strategy and Methods of Analysis

CIM's investment strategy focuses on investing in a relatively concentrated portfolio of long-only holdings with a long-term focus and relatively low portfolio turnover. CIM employs a "Multi-Cap" approach, investing in large, mid-sized and small cap companies, with the objective of maximizing long-term total returns for clients while managing risk. The strategy is not constrained by market capitalization, sector, geography or industry. CIM invests primarily in common stock positions and depository receipts (e.g., ADRs), but is permitted to invest in preferred stocks, convertible bonds, exchange-traded funds, mutual funds, REITs, corporate debt, government securities and cash in order to execute its investment strategy for clients.

CIM's investment management strategy follows these guidelines:

- Adopt a long-term perspective;
- Maintain a relatively concentrated and undiversified portfolio;
- Identify excellent businesses that have a durable competitive advantage and generate high returns-on-capital and free cash flow;
- Seek out management teams that are shareholder-oriented; and
- Maintain a disciplined valuation methodology to capitalize on disparities between the market value of a security and the intrinsic value of the security.

CIM's primary method of analysis is fundamental research. This research involves analyzing corporate reports, press releases, financial statements, documents filed with the SEC, newspaper, magazine, internet articles, transcripts of conference calls and conference presentations, conversations with the firm and/or competitors, and third-party research materials.

Risk of Loss

All investing involves a risk of loss that clients should be prepared to bear. The investment strategy offered by CIM could lose money over short or long periods of time. Identifying undervalued securities is difficult and there are no assurances that CIM's investment strategy will succeed. Below is a summary of risks to consider:

- Dependence on Key Individual – The management of client portfolios is dependent on the continued service and active investment efforts of the CEO and Portfolio Manager, Mr. Scott A. Chapman.
- Systematic Risk – Systematic risks refer to factors that affect the returns on all comparable investments and that affect the market as a whole. They include the risk that prices overall will decline as markets tend to move in cycles, with periods of rising prices and periods of falling prices. Systematic risks also include interest rate risk, reinvestment risk, purchasing power risk and exchange rate risk.
- Unsystematic or Business Specific Risk – Purchasing a company's securities exposes the investor to all the risks associated with the underlying business, including reliance on a company's management team to execute its business strategy. If a company loses its competitive advantage, it may sustain a permanent loss of value. Business specific risks include loss of key management, loss of a key customer, regulatory changes, interest rate and currency fluctuations, cyclical downturns, changes in politics and market competition, among other factors.

Item 9 – Disciplinary Information

CIM has not been involved in any legal or disciplinary events and is not subject to any requirement to make disciplinary disclosures.

Item 10 – Other Financial Industry Activities and Affiliations

CIM is an independent investment advisor and is not affiliated with any other financial institution or securities broker, dealer or issuer. Although we may recommend that clients custody their investment accounts with certain brokerage firms, we have no affiliation with such firms, do not supervise their brokerage activities and are not subject to their supervision.

Item 11 – Code of Ethics

As a Chartered Financial Analyst ("CFA") and member of the CFA Institute, Scott Chapman abides by the CFA Institute Code of Ethics and Standards of Professional Conduct ("Code of Ethics") and is committed to ethical conduct. The Code of Ethics includes, among others, the following standards of professional conduct:

- Professionalism: know and comply with all applicable laws; use reasonable care and judgment to maintain independence and objectivity; and avoid misrepresentation

- Integrity of Capital Markets: avoid acting on material nonpublic information; avoid engaging in practices that distort prices or inflate trading volume
- Duties to Clients: act with reasonable care and exercise prudent judgment; place client's interests before our own interests; deal fairly with all clients when taking investment action, judge the suitability of an investment based on the client's risk and return objectives; make reasonable efforts to ensure performance information is presented fairly and accurate; preserve confidentiality
- Investment Analysis, Recommendations and Actions: exercise diligence, independence and thoroughness in analyzing investments and taking investment actions; disclose to clients the general format of the investment process; maintain appropriate records
- Conflicts of Interest: disclose all matters that could reasonably be expected to impair our independence and objectivity; give priority to clients over investment transactions; disclose referral compensation, if any.

In addition, CIM has adopted a Code of Ethics ("Code") that imposes a duty to place the interests of clients first. The Code imposes restrictions and safeguards on the use of material, non-public information. The Code also governs personal trading policies and procedures so that clients' interests have preference over an employee's interest. From time to time, trading by employees may be restricted in recognition of impending investment decisions on behalf of clients. A security may not be purchased or sold for client accounts and employees on the same day.

CIM's employees may purchase or sell different investments for their personal accounts, based on personal investment considerations and objectives, which CIM may or may not deem appropriate for clients. It is possible that an employee could liquidate a security position that is held both for the employee's own personal account and for the accounts of clients, sometimes in advance of clients. This may occur when personal considerations (i.e., liquidity needs, tax-planning, and portfolio rebalancing) require a stock sale for individual financial planning reasons. In no event will a CIM employee attempt to acquire an unfair timing advantage through the placing of personal trades ahead or behind client trades.

A copy of CIM's employee trading policies and Code of Ethics is available upon request.

Item 12 - Brokerage Practices

CIM recommends that clients establish a brokerage account(s) with the Schwab Advisor Services division of Charles Schwab & Co. Inc. ("Schwab") for custody and brokerage services. Although CIM recommends that clients establish accounts at Schwab, it is solely the client's decision whether to custody assets at Schwab. CIM is not affiliated with Schwab.

CIM places trades for client accounts subject to its fiduciary duties, including the duty to seek best execution for clients' securities transactions. CIM has authority to use broker-dealers other than Schwab to execute trades for client accounts maintained at Schwab, but this practice may result in additional costs to clients; therefore, CIM is more likely to place trades through Schwab rather than other broker-dealers. Schwab's fee schedules may be higher (but generally not significantly so) than those available from other brokers for similar services.

For CIM's client accounts maintained in custody at Schwab, Schwab generally does not charge separately for custody, but rather is compensated by account holders through transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts. Clients who custody assets outside of Schwab may pay higher fees and charges for transactions and may not get the most favorable execution of their transactions.

CIM does not maintain a formal soft dollar arrangement with Schwab or other brokers. Schwab makes available to CIM other products and services that may benefit CIM in managing and administering client accounts. These 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 client accounts), provide research, pricing information and other market data, facilitate payment of CIM's fees from clients' accounts, assist with back-office support, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of clients' accounts, including client accounts not maintained at Schwab. CIM does not believe that clients whose accounts are held at Schwab bear any additional costs in connections with CIM's receipt of the products and services. However, CIM perhaps would not receive each of the products and services from Schwab if client accounts were not held in custody by Schwab. CIM's receipt of products and services creates a conflict of interest in connection with CIM's recommendation of Schwab because CIM receives the benefit of the above ancillary services when a specified amount of client assets is custodied at Schwab. Further, CIM has an incentive to select or recommend Schwab based on its interest in receiving products or services at a lower cost. Since many of CIM's clients are individuals, CIM believes that such clients will benefit from access to operational services provided by Schwab. To mitigate potential conflicts and as part of its fiduciary duty, CIM conducts a periodic review that includes an assessment of the pricing and services received from Schwab.

CIM's policy is to treat all clients fairly and equitably with respect to the aggregation and allocation of orders. CIM generally aggregates orders for client accounts for trade execution with the same broker. When orders are aggregated, each participating account will be allocated securities on an average price basis and pay their share of the transaction costs. It is intended that accounts managed by CIM will, over time, have a substantially similar percentage of assets for a security within an asset class (i.e., stocks or bonds). Securities will only be purchased that are at or below CIM's price limit. Therefore, for newly funded accounts, or accounts with a cash inflow, and depending on market conditions, above normal cash levels may be held pending more attractively priced entry points. The timing of an account's funding and/or the timing of a contribution or withdrawal will impact the timing and nature of action taken. Consequently, variations in the positions and weights may naturally exist between client accounts. Over time however, client accounts should be aligned with similar percentage weights. Examples of situations in which client account orders may not be aggregated include: (i) client-imposed investment objectives or restrictions that do not allow for participation in an order; (ii) the timing of actual or anticipated capital additions or withdrawals by clients; and (iii) CIM decides not to aggregate an order(s) due to tax, legal, regulatory, market conditions, or administrative reasons.

If an order is partially filled, participating accounts will receive a pro rata average priced allocation of the order, and CIM will seek to complete any unfilled orders on the next trading day. A partial fill order that is fully filled over multiple days may result in multiple transaction charges; CIM, however, expects partial fill orders to occur only occasionally, and such orders should not have a material effect on clients' account performance. In certain instances, (e.g., new accounts,

terminating accounts, add-on capital, partial withdrawals), CIM may purchase or sell securities for client accounts when other client accounts are not purchasing or selling the same security.

Item 13 – Review of Accounts

Generally, accounts are reviewed on a continuing basis. At least once a month, CIM reviews all client accounts for appropriate portfolio weights, and levels of cash. CIM reviews accounts as required to ensure transactions have been correctly recorded into client accounts. Account reviews may be triggered by stock specific events, when a purchase or sale decision has been made regarding a security, when notified of a contribution or withdrawal of assets, a specific client request, an imbalance in a portfolio's asset allocation, tax law changes, changes in market/economic conditions and at the discretion of CIM. CIM consults with each client at least annually to review the client's account and incorporate any changes to the client's investment goals and guidelines.

It is the client's responsibility to notify CIM immediately of any material change in their personal financial condition which would require a review of their investment goals or guidelines.

CIM furnishes investment reports on a quarterly basis to each client, including a Market Commentary and Portfolio Summary. Clients will receive monthly statements from Schwab, or their custodian, which include portfolio holdings and investment activity.

Item 14 – Client Referrals and Other Compensation

CIM does not pay referral fees to any third-party firms or individuals for recommending prospective clients. CIM is not paid referral fees by any third party for referring clients to their businesses.

Item 15 – Custody

CIM does not maintain physical or legal custody of client funds or securities. All client assets are held in custody by unaffiliated broker/dealers or banks. Each client has a direct relationship with their custodian and is responsible for making deposits and withdrawals from their account as necessary. Clients generally give instructions to the custodian to deduct CIM advisory fees directly from the client's account. Other than in connection with this authority, CIM will not have the power to remove assets from the custodial account.

Clients should receive monthly or quarterly account statements from their custodian bank or broker/dealer in addition to the account statements they receive from CIM. Clients should compare the statements received from the custodian to the account information provided by CIM.

Item 16 – Investment Discretion

CIM accepts discretionary authority to manage investment security purchases and sales on behalf of clients, subject to investment objectives and guidelines that are established by agreement between CIM and the client at the time the account is opened. Clients grant CIM investment discretion through the execution of a limited power of attorney included in a written advisory agreement.

CIM does not anticipate entering into client agreements that allow a client to materially mandate or restrict CIM's advisory decisions. Clients may request mandates, guidelines, or restrictions due to legal, tax, regulatory, conflict of interest, or other special concerns of the client. CIM will manage the account accordingly once agreed to in writing by CIM and the client.

Class Action Lawsuits

CIM is not responsible for exercising client's rights to participate in the proceeds of class action lawsuits affecting securities they own or have owned. CIM will generally not notify clients regarding class action lawsuits and will not transmit proof of claim forms to clients except upon client request. Upon client request, CIM may assist with the processing of a class action claim on behalf of the client. However, CIM may refrain from processing the claim if it deems the claim to be de-minimis relative to the time and effort involved to file the claim.

Item 17 – Voting Client Securities

CIM does not vote proxy solicitations received from the issuers of securities held in separately-managed client accounts. Clients will receive their proxies or other solicitations directly from their custodian or from CIM. If you have questions about a particular solicitation, please contact Scott Chapman at scott@chapmaninvestment.com.

Item 18 – Financial Information

CIM does not require or solicit prepayment of its management fees from clients. CIM has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.

Item 19 – Requirements for State-Registered Advisers

- A. The sole principal officer of CIM is Chief Executive Officer and Portfolio Manager Scott A. Chapman. Mr. Chapman is a Chartered Financial Analyst. His educational background includes an MBA – Finance from Golden Gate University and a B.S. Accounting from Santa Clara University. His experience includes over 25 years of direct portfolio management, an additional five years performing securities analysis, and an additional eight years as a financial analyst. Past responsibilities included Director of Research, Director of Growth Strategy and he was responsible for over \$5 billion of assets under management. He has also taught investment principles for seven years to CFA Candidates as part of the CFA Review Course for the CFA Society of San Francisco.

CIM is an independent investment advisor and does not have material conflicts of interests, as referred to in CCR Section 260.238 (k), which could impair the rendering of unbiased and objective advice.

- B. Mr. Chapman is not actively engaged in any other business other than giving investment advice through CIM.
- C. Not applicable since CIM does not charge performance-based fees.
- D. Not applicable.
- E. Not applicable.

Part 2B: Brochure Supplement

May 2018

Part 2B: Item 1 – Cover Page

Scott A. Chapman

Chapman Investment Management, LLC

701 Butterfield Road

San Anselmo, CA 94960

415-497-3885

WWW.CHAPMANINVESTMENT.COM

This brochure supplement provides information about Scott A. Chapman that supplements the Chapman Investment Management, LLC brochure. You should have received a copy of that brochure. Please contact Scott A. Chapman if you did not receive Chapman Investment Management, LLC's brochure or if you have any questions about the contents of this supplement.

Additional information about Scott A. Chapman is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 - Educational Background and Business Experience

Name: Scott A. Chapman

Date of Birth: July 24, 1958

Education: B.S. Accounting, University of Santa Clara; MBA – Finance, Golden Gate University; Chartered Financial Analyst (“CFA”). The CFA is a designation conferred by the CFA Institute (formerly the Association for Investment Management and Research), a global nonprofit organization of more than 83,000 investment professionals from 129 countries worldwide. The CFA Program is a graduate level curriculum that provides a foundation of practical knowledge of investment analysis, portfolio management skills, and ethical and professional standards. Completing the CFA Program confirms a mastery of the rigorous CFA curriculum, signifies passing three exam levels, and is one of the requirements for earning the CFA charter.

Business Background: Mr. Chapman’s experience includes over 25 years of direct portfolio management, an additional five years performing securities analysis, and an additional eight years as a financial analyst. Past responsibilities included Director of Research, Director of Growth Strategy, in which position he was responsible for over \$5 billion of assets under management. He has also taught investment principles for seven years to CFA Candidates as part of the CFA Review Course for the CFA Society of San Francisco. Previous to founding Chapman Investment Management, LLC, Mr. Chapman was an owner, Managing Director, and Portfolio Manager at Lateef Investment Management from March 2002 to December 2012.

Item 3 - Disciplinary Information

Mr. Chapman has not had any legal or disciplinary events, nor is he involved in legal or disciplinary events.

Item 4 – Other Business Activities

Mr. Chapman is not actively engaged in any other investment-related business or occupation for compensation.

Item 5 – Additional Compensation

Not applicable.

Item 6 – Supervision

Mr. Chapman is the sole officer/employee of Chapman Investment Management, LLC and does supervise other employees.

Item 7 – Requirements for State-Registered Advisers

- A. Mr. Chapman has not been involved in any of the events referenced in Item 7A 1 or 2.
- B. Mr. Chapman has not been the subject of a bankruptcy petition.