

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

**Item 1 – Cover Page**

**Chapman Financial Group, LLC**

557 Lystra Preserve Dr.  
Chapel Hill, NC 27517  
847-550-4345

Date of Disclosure Brochure: February 5, 2024

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This disclosure brochure provides information about the qualifications and business practices of Chapman Financial Group, LLC (also referred to as I, me and Chapman Financial Group throughout this disclosure brochure). If you have any questions about the contents of this disclosure brochure, please contact Wheeler Chapman at 847-550-4345 or [wchapman@ifmllc.com](mailto:wchapman@ifmllc.com). The information in this disclosure brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Chapman Financial Group is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view my firm's information on this website by searching for Chapman Financial Group, LLC or my firm's CRD number 168439.

\*Registration as an investment adviser does not imply a certain level of skill or training.

\*\*Although Chapman Financial Group is referred to as I or me throughout this brochure for your convenience, please understand that any engagement described under this brochure will be made with the legal entity of Chapman Financial Group, LLC.

## **Item 2 – Material Changes**

Since our last annual brochure filing dated February 7, 2023, the firm has had no material changes.

We will ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 so you will receive the summary of material changes, if any, no later than April 30 each year. At that time we will also offer a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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#### **Item 4 – Advisory Business**

Chapman Financial Group is an investment adviser currently registered with the SEC. The firm is a limited liability company (LLC) formed under the laws of the State of Illinois.

- Wheeler Chapman is the Chief Compliance Officer (CCO) and Managing Member of Chapman Financial Group. Wheeler Chapman owns 100.00% of Chapman Financial Group. Full details of my education and business background are provided at *Item 19* of this Disclosure Brochure.
- Chapman Financial Group has been registered as an investment adviser since July 2013.

#### **Description of Advisory Services**

Chapman Financial Group offers asset management services, which involves Chapman Financial Group providing you with continuous and ongoing supervision over your specified accounts.

You must appoint my firm as your investment adviser of record on specified accounts (collectively, the “Account”). The Account consists only of separate account(s) held by qualified custodian(s) under your name. The qualified custodians maintain physical custody of all funds and securities of the Account, and you retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the Account.

The Account is managed by me based on your financial situation, investment objectives and risk tolerance. I actively monitor the Account and provide advice regarding buying, selling, reinvesting or holding securities, cash or other investments of the Account.

I will need to obtain certain information from you to determine your financial situation and investment objectives. You will be responsible for notifying me of any updates regarding your financial situation, risk tolerance or investment objective and whether you wish to impose or modify existing investment restrictions; however I will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance or investment objectives. I am always reasonably available to consult with you relative to the status of your Account. You have the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct me not to purchase certain securities.

It is important that you understand that I manage investments for other clients and may give them advice or take actions for them or for my personal accounts that is different from the advice I provide to you or actions taken for you. I am not obligated to buy, sell or recommend to you any security or other investment that I may buy, sell or recommend for any other clients or for my own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that I manage. I strive to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by my firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to my attention will be allocated in any particular manner. If I obtain material, non-public information about a security or its issuer that I may not lawfully use or disclose, I have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

*Recommendation of Kokua Capital Management, LLC as Sub-Adviser:* As part of our Asset Management Services, we may recommend the use of Kokua Capital Management, LLC to serve as a third-party “Sub-Adviser” to manage all or a portion of your assets. Specifically, we will recommend Kokua Capital

Management for their Fixed Income Separate Account Management strategies and other strategies they may offer that we think will benefit the management of your account.

The recommendation of Kokua Capital Management shall be made on a non-discretionary basis. The decision to use Kokua Capital Management is always based on each client's individual needs. You will enter into an agreement directly with Kokua Capital Management. A complete description of their services will be disclosed in the Kokua Capital Management Form ADV Disclosure Brochure which will be provided to clients at the time an agreement for services is executed and account is established with Kokua Capital Management.

We are always available to answer questions you may have regarding the portion of your account managed by Kokua Capital Management and act as the communication conduit between you and Kokua Capital Management. Kokua Capital Management will take discretionary authority to determine the securities to be purchased and sold for your accounts.

Please refer to Item 10 of this brochure for full details regarding our arrangement with Kokua Capital Management.

Because of our arrangements, as described in Item 10, Kokua Capital Management we do not charge a management fee to clients of Chapman Financial Group. Therefore the services of Kokua Capital Management are provided complimentary to Chapman Financial Group and our clients.

**Advice to Certain Types of Investments**

Chapman Financial Group provides investment advice on the following types of investments:

- Mutual Funds
- Exchange-listed Securities
- Securities Traded Over-the-Counter
- Foreign Issues
- Warrants
- Corporate Debt Securities
- Certificates of Deposit
- Municipal Securities
- US Government Securities
- Options Contracts on Securities
- Mortgage – Backed Securities

Although I generally provide advice only on the products previously listed, I reserve the right to offer advice on any investment product that may be suitable for each client's specific circumstances, needs, goals and objectives.

It is not my typical investment strategy to attempt to time the market, but I may increase cash holdings modestly as deemed appropriate based on your risk tolerance and our expectations of market behavior. I may modify my investment strategy to accommodate special situations such as low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations.

*(Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.)*

**Tailor Advisory Services to Individual Needs of Clients**

Chapman Financial Group's advisory services are always provided based on your individual needs. This means, for example, that when I provide asset management services, you are given the ability to impose

restrictions on the accounts I manage for you, including specific investment selections and sectors. I work with you on a one-on-one basis through interviews and questionnaires to determine your investment objectives and suitability information.

I will not enter into an investment adviser relationship with a prospective client whose investment objectives may be considered incompatible with my investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

#### **Client Assets Managed by Chapman Financial Group**

The amount of clients' assets managed by Chapman Financial Group totaled \$112,775,063 as of December 31, 2023. The entire amount is managed on a discretionary basis. See Item 16 – Investment Discretion for more information.

### **Item 5 – Fees and Compensation**

In addition to the information provided in *Item 4 – Advisory Business*, this section provides additional details regarding my firm's services along with descriptions of each service's fees and compensation arrangements. It should be noted that lower fees for comparable service may be available from other sources. The exact fees and other terms will be outlined in the agreement between you and Chapman Financial Group.

#### **Asset Management Services**

Fees charged for my asset management services are charged based on a percentage of assets under management, billed in advance (at the start of the billing period) on a quarterly calendar basis and calculated based on the fair market value of your account as of the last business day of the previous billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. If asset management services are commenced in the middle of the billing period, then the prorated fee for that billing period is based on the value of the Account when services commence and is due immediately and will be deducted from Account when services commence.

The asset management services continue until terminated by either party. You can cancel services at any time by giving Chapman Financial Group prior written notice and Chapman Financial Group can cancel services by providing you with thirty (30) days written notice. Any prepaid, unearned fees will be promptly refunded by Chapman Financial Group to you. Fee refunds will be determined on a pro rata basis using the number of days services are actually provided during the final period.

Fees charged for my asset management services are negotiable based on the complexity of the client's situation, the composition of the client's account (i.e., equities versus mutual funds), the potential for additional account deposits, the relationship of the client with my firm, and the total amount of assets under management for the client.

I use a blended, tiered fee schedule to determine the percentage fee assessed to your Account. The following is a sample fee schedule provided for illustrative purposes but represents a typical fee schedule used by my firm. Your exact fee will be detailed in your service agreement.

<u>Assets Under Management</u>	<u>Annual Fee</u>
First \$500,000	1.25%
Assets between \$500,001 and \$1,500,000	1.00%
Assets between \$1,500,001 and \$2,000,000	0.75%

Assets above \$2,000,000

0.60%

There is a minimum account size of \$1,000,000.

Chapman Financial Group believes that its annual fee is reasonable in relation to: (1) services provided and (2) the fees charged by other investment advisers offering similar services/programs. However, my annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to my compensation, you may also incur charges imposed at the mutual fund level (e.g., advisory fees and other fund expenses).

You can choose how to pay your investment advisory fees. The investment advisory fees can be deducted from your account and paid directly to my firm by the qualified custodian(s) of your account or you can pay my firm upon receipt of a billing notice sent directly to you.

If you choose to have the investment advisory fees deducted from your account, you must authorize the qualified custodian(s) of your account to deduct fees from your account and pay such fees directly to Chapman Financial Group. My firm will send you a billing statement prior to the time that fee deduction instruction is sent to the qualified custodian(s) of your account. The billing statement will detail the formula used to calculate the fee, the assets under management and the time period covered.

You should review your account statements received from the qualified custodian(s) and verify that appropriate investment advisory fees are being deducted. The qualified custodian(s) will not verify the accuracy of the investment advisory fees deducted.

If you choose to pay the fees after receiving a statement, fees are due upon your receipt of a billing notice sent directly to you. The billing notice will detail the formula used to calculate the fee, the assets under management and the time period covered. Fees for the services of my firm will be due immediately after your receipt of the billing notice.

Brokerage commissions and/or transaction ticket fees charged by the qualified custodian are billed directly to you by the qualified custodian. Chapman Financial Group does not receive any portion of such commissions or fees from you or the qualified custodian. In addition, you may incur certain charges imposed by third parties other than Chapman Financial Group in connection with investments made through your account including, but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees, and charges imposed by the qualified custodian(s) of your account. Management fees charged by Chapman Financial Group are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus.

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

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. *Item 6* is not applicable to this Disclosure Brochure because I do not charge or accept performance-based fees.

#### **Item 7 – Types of Clients**

Chapman Financial Group generally provides investment advice to individuals including high net worth individuals. High net worth individuals are clients with at least \$2,000,000 net worth or \$1,000,000 under my firm's management.

You are required to execute a written agreement with Chapman Financial Group specifying the particular advisory services in order to establish a client arrangement with Chapman Financial Group.

### **Minimum Investment Amounts Required**

Chapman Financial Group generally requires a minimum of \$1,000,000 in order to open an account. To reach this account minimum, clients can aggregate all household accounts. Exceptions may be granted to this minimum for at my discretion. For example, I may waive the account minimum for my family members and children of current clients.

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

### **Methods of Analysis**

Chapman Financial Group uses the following methods of analysis in formulating investment advice:

Fundamental – This is a method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of a company). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). Fundamental analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong and could therefore lead to an unfavorable investment decision.

Technical – This is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Technical analysis is even more subjective than fundamental analysis in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly, since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most



traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security.

### **Investment Strategies**

Chapman Financial Group uses the following investment strategies when managing client assets and/or providing investment advice:

- Long term purchases. Investments held at least a year. See the Risk of Loss section below for a description of the material risks involved when investing in securities.
- Short term purchases. Investments sold within a year. See the Risk of Loss section below for a description of the material risks involved when investing in securities.
- Value Investing. Chapman Financial Group utilizes value investing strategies which can be described as a strategy of selecting stocks that trade for less than their intrinsic values. Value investors actively seek stocks of companies that they believe the market has undervalued. They believe the market overreacts to good and bad news, resulting in stock price movements that do not correspond with the company's long-term fundamentals. The result is an opportunity for value investors to profit by buying when the price is deflated. Typically, value investors select stocks with lower-than-average price-to-book or price-to-earnings ratios and/or high dividend yields.

Some of the material risks of value investing include selling at the wrong time, not properly diversifying, overpaying for stocks which in turn can increase the risk of losing capital, and basing calculations on the wrong or inaccurate date. See the Risk of Loss section below for a description of the material risks involved when investing in securities.

### **Risk of Loss**

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, my firm is unable to represent, guarantee, or even imply that my services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated with investing in securities through my investment management program, as described below:

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.

- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk. When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- ETF and Mutual Fund Risk – When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.
- Management Risk – Your investment with my firm varies with the success and failure of my investment strategies, research, analysis and determination of portfolio securities. If my investment strategies do not produce the expected returns, the value of the investment will decrease.

#### **Item 9 – Disciplinary Information**

*Item 9* is not applicable to this Disclosure Brochure because there are no legal or disciplinary events that are material to a client's or prospective client's evaluation of my business or integrity.

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

Chapman Financial Group is **not** and does **not** have a related person that is a broker/dealer, municipal securities dealer, government securities dealer or broker, an investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), a futures commission merchant, commodity pool operator, or commodity trading advisor, a banking or thrift institution, an accountant or accounting firm, a lawyer or law firm, an insurance company or agency, a pension consultant, a real estate broker or dealer, and a sponsor or syndicator of limited partnerships.

Wheeler Chapman, sole owner and investment adviser representative of Chapman Financial Group, is also a Member, ten percent (10%) owner and investment adviser representative of Kokua Capital Management, LLC, a state-registered investment adviser firm.

He spends approximately 10% of his time working for Kokua Capital Management and 90% of his time for Chapman Financial Group.

Wheeler Chapman's primary role with Kokua Capital Management is to formulate investment strategy, conduct credit research, promote client engagement, and assist with trading. Moreover, Kokua Capital Management serves a sub-adviser, providing its Fixed Income Separate Account Management Services and other portfolio management services, to Chapman Financial Group and our clients.

Kokua Capital Management and Chapman Financial Group are not considered affiliated companies because Wheeler Chapman's ownership interest in Kokua Capital Management, LLC is below the 25% threshold for affiliation and he is not considered a control person of Kokua Capital Management.

However, because Wheeler Chapman is a Member and investment adviser representative of Kokua Capital Management, he has a clear conflict of interest and economic incentive to recommend Kokua Capital Management over other third-party investment adviser firms and money managers.

One way we control for this conflict is that Kokua Capital Management does not charge a management fee to clients of Chapman Financial Group. Therefore Kokua Capital Management services are provided complimentary to Chapman Financial Group and our clients.

Mr. Chapman's recommendation to use Kokua Capital Management is always done on a non-discretionary basis meaning clients must "opt-in" and agree in writing to use Kokua Capital Management as a sub-adviser. Clients are never required or obligated to use the services of Kokua Capital Management and can choose to use a different money manager of their choosing.

## **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

### **Code of Ethics Summary**

An investment adviser is considered a fiduciary and has a fiduciary duty to all clients. Chapman Financial Group has established a Code of Ethics to comply with the requirements of the securities laws and regulations that reflects its fiduciary obligations. The Code of Ethics also requires compliance with applicable federal and state securities laws. As an investment adviser, Chapman Financial Group intends to act in your best interest in all advisory activities. My standard of conduct required is higher than ordinarily required and encountered in commercial business. This section is intended to provide a summary description of the Code of Ethics of Chapman Financial Group. If you wish to review the Code of Ethics in its entirety, you should send me a written request and upon receipt of your request, I will promptly provide a copy of the Code of Ethics to you.

### **Affiliate and Employee Personal Securities Transactions Disclosure**

I may buy or sell securities that are also recommended to clients. In order to minimize this conflict of interest, securities recommended by Chapman Financial Group are widely held and publicly traded. In addition, in accordance with my fiduciary duty to clients, I will place Chapman Financial Group client interests ahead of my own investment interests.

## Item 12 – Brokerage Practices

### **Brokerage Recommendations**

Chapman Financial Group recommends that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Company, Inc. ("Schwab"), a FINRA-registered broker-dealer, Member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although Chapman Financial Group may recommend clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. Chapman Financial Group is independently owned and operated and not affiliated with Schwab. Chapman Financial Group may recommend additional unaffiliated broker-dealers to affect fixed income transactions.

Schwab provides Chapman Financial Group with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained at Schwab Institutional. These services are not contingent upon Chapman Financial Group committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require significantly higher minimum initial investment.

For Chapman Financial Group's clients' accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset based fees for securities trades that are executed through Schwab or that settle into Schwab accounts. Schwab Institutional also makes available to Chapman Financial Group other products or services that benefit Chapman Financial Group but may not directly benefit clients' accounts. Many of these products and services may be used to service all or some substantial number of Chapman Financial Group's accounts, including accounts not maintained Schwab.

Schwab's products and services that assist Chapman Financial Group in managing and administering clients' accounts include software and other technology that (i) provides access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of Chapman Financial Group's fees from some of its accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab Institutional also offers other services intended to help Chapman Financial Group manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or part of the fees of a third-party providing these services to Chapman Financial Group. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of Chapman Financial Group personnel. While as a fiduciary, Chapman Financial Group endeavors to act in its clients' best interests, Chapman Financial Group's recommendation that clients maintain their assets in accounts at Schwab may take into account availability of some of the foregoing products and services and other arrangements not solely on the nature of cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

Through its relationship with Schwab, Chapman Financial Group may also use the Schwab Prime Brokerage service. Prime Brokerage is a service allowing Chapman Financial Group to place trades with other broker/dealers without the need to have individual accounts with the other broker/dealers. The use of Prime Brokerage allows greater flexibility to access more fixed income products, ability to implement trades with companies that may make a market in a security, the ability to access Initial Public Offerings (IPO's), and the ability to access new issue bonds. Prime Brokerage Service is beneficial because it allows Chapman Financial Group to place trades through several executing broker/dealers, yet receive centralized custody, clearing and settlement, recordkeeping and other services from one source, Schwab. Chapman Financial Group's decision to use an executing broker/dealer will depend on the executing broker's respective expertise and costs. All assets will be kept in a Schwab account, with all confirmations and statements generated by Schwab.

### **Directed Brokerage**

Although Schwab is my preferred broker/dealer, clients may be allowed to select the broker-dealer that will be used for their accounts (assuming the broker/dealer can be integrated into my firm's operations and systems). Clients directing the use of a particular broker/dealer or other custodian must understand that I may not be able to obtain the best prices and execution for the transaction. Under a client-directed brokerage arrangement, clients may receive less favorable prices than would otherwise be the case if the client had not designated a particular broker/dealer or custodian. Directed brokerage account trades are generally placed by Chapman Financial Group after effecting trades for other clients of Chapman Financial Group. In the event that a client directs Chapman Financial Group to use a particular broker or dealer, Chapman Financial Group may not be authorized to negotiate commissions and may be unable to obtain volume discounts or best execution. In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to clients who direct Chapman Financial Group to use a particular broker or dealer versus clients who do not direct the use of a particular broker or dealer.

### **Block Trading Policy**

I may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by my firm when Chapman Financial Group believes such action may prove advantageous to clients. If and when I aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. If and when I determine to aggregate client orders for the purchase or sale of securities, including securities in which Chapman Financial Group or our associated persons may invest, I will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Neither I nor our associated persons receive any additional compensation as a result of block trades.

## **Item 13 – Review of Accounts**

### **Account Reviews and Reviewers**

The firm's principal, Wheeler Chapman, continually reviews each client account to be sure that the holdings are consistent with investment objectives. The reviews include portfolio valuation, cash levels and asset allocations. Individual securities within the portfolios are reviewed on an ongoing basis. Each account's performance results are reviewed monthly. All accounts are reviewed with clients at their discretion (at least annually).

### **Statements and Reports**

For my asset management services, you are provided with transaction confirmation notices and regular quarterly account statements directly from the qualified custodian. Additionally, Chapman Financial Group may provide position or performance reports to you quarterly.

You are encouraged to always compare any reports or statements provided by me, a sub-adviser or third-party money manager against the account statements delivered from the qualified custodian. When you have questions about your account statement, you should contact my firm and the qualified custodian preparing the statement.

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

### **Client Referrals**

Chapman Financial Group does not compensate any outside party for client referrals.

### **Other Compensation**

Other than the receipt of advisory fees described in Item 5 - Fees and Compensation, my firm receives no other compensation or revenue in connection with investment management services. However, please refer to Item 12 - Brokerage Practices for information about the benefits and services received from Charles Schwab & Company, Inc.

## **Item 15 – Custody**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment adviser has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

Chapman Financial Group is deemed to have custody of client funds and securities whenever Chapman Financial Group is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody Chapman Financial Group will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which Chapman Financial Group is deemed to have custody, I have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from Chapman Financial Group. When clients have questions about their account statements, they should contact Chapman Financial Group or the qualified custodian preparing the statement.

When fees are deducted from an account, Chapman Financial Group is responsible for calculating the fee and delivering instructions to the custodian. At the same time Chapman Financial Group instructs the custodian to deduct fees from your account; Chapman Financial Group will send you an invoice itemizing the fee. Itemization will include the formula used to calculate the fee, the amount of assets under management the fee is based on, and the time period covered by the fee.

## Item 16 – Investment Discretion

When providing asset management services, Chapman Financial Group maintains trading authorization over your Account and provides management services on a **discretionary** basis. Discretionary authority is granted to my firm in the client agreement that you execute before commencing services. By granting discretionary authority, I will have the authority to determine the type of securities and the amount of securities that can be bought or sold for your portfolio without obtaining your consent for each transaction.

Please note that the selection of Kokua Capital Management as a Sub-Adviser is always made on a **non-discretionary** basis. This means you must agree, in writing, to hire Kokua Capital Management as a Sub-Adviser to your account(s).

You will have the ability to place reasonable restrictions on the types of investments that may be purchased in your Account. You may also place reasonable limitations on the discretionary power granted to Chapman Financial Group so long as the limitations are specifically set forth or included as an attachment to the client agreement.

Chapman Financial Group may elect to purchase bonds through bond broker/dealers in order to obtain a better price for the client, and then have the bonds delivered into the client's brokerage account. This practice is conducted through the Charles Schwab Prime Brokerage Service. This is the only case in which Chapman Financial Group selects a broker/dealer to be used without specific client consent. Schwab charges the client a Prime Brokerage Service Fee per order entered at an executing broker/dealer by Chapman Financial Group. The Prime Brokerage Service Fee will be charged to the client's account. Chapman Financial Group clients must execute the Charles Schwab Brokerage Account Agreement - Prime Brokerage Amendment form before Chapman Financial Group can execute trades at broker/dealers other than Schwab that settle in the client's Schwab account.

## Item 17 – Voting Client Securities

Chapman Financial Group has adopted Proxy Voting Policies and Procedures ("Proxy Voting Policies") which provide that proxies on securities will be voted for the exclusive benefit and in the best economic interest of clients as determined by Chapman Financial Group in good faith. Such voting responsibilities will be exercised in a manner that is consistent with the general anti-fraud provisions of federal and state securities rules as well as Chapman Financial Group's fiduciary duties under federal and state law to act in the best interest of clients.

On certain routine proposals (for example, those which do not change the structures, bylaws or operations of a company), Chapman Financial Group will generally vote in the manner recommended by management. Non-routine proposals, (such as those affecting corporate governance, compensation and other corporate events) and shareholder proposals, will generally be reviewed on a case-by-case basis. Chapman Financial Group will generally vote proxies in accordance with these recommendations but reserves the right to exercise its own judgment on a case-by-case basis. If Chapman Financial Group determines that voting a particular proxy would create a material conflict of interest between its interests or the interests of any of its affiliated parties, Chapman Financial Group will fully disclose the conflict of interest to you.

Clients may obtain a copy of Chapman Financial Group's complete proxy voting policies and procedures upon request. Clients may also obtain information from Chapman Financial Group about how Chapman Financial Group voted any proxies on their behalf.

Clients may elect to retain proxy voting responsibilities by notifying Chapman Financial Group in writing of that election.

## **Item 18 – Financial Information**

This *Item 18* is not applicable to this brochure. Chapman Financial Group does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance. Therefore, I am not required to include a balance sheet for the most recent fiscal year. I am not subject to a financial condition that is reasonably likely to impair my ability to meet contractual commitments to clients. Finally, Chapman Financial Group has not been the subject of a bankruptcy petition at any time.

## **Item 19 – Requirements for State-Registered Advisers**

### **Executive Officer and Management Personnel**

#### **Wheeler Chapman**

##### *Educational Background:*

- Auburn University, B.S. Civil Engineering: 1983
- University of Colorado, M.S. Civil/Environmental Engineering: 1985

##### *Business Experience:*

- Chapman Financial Group, LLC (formerly IFM, LLC), Managing Member, 07/2013 to Present;
- United Capital Financial Advisors, LLC, Managing Director, 08/2008 to 08/2013
- Integrated Financial Management, Inc., President, CEO and CIO, 06/1989 to 08/2008

### **Other Business Activities**

My firm is an independent registered adviser and only provides investment advisory services. I am not engaged in any other business activities and offer no other services except those described in this Disclosure Brochure.

### **No Performance Based Fees**

As previously disclosed in *Item 6*, Chapman Financial Group does not charge or accept performance-based fees.

### **No Arbitrations**

Chapman Financial Group and Wheeler Chapman has not been the subject of any client arbitrations or similar legal disputes.

### **Issuer of Securities**

Chapman Financial Group does not have arrangements with any issuer of securities.

## **Customer Privacy Policy Notice**

In November of 1999, Congress enacted the Gramm-Leach-Bliley Act (GLBA). The GLBA requires certain financial institutions, such as investment advisor firms, to protect the privacy of customer information. In situations where a financial institution does disclose customer information to non-affiliated third parties, other than permitted or required by law, customers must be given the opportunity to opt-out



to such disclosure. Chapman Financial Group does not share or disclose customer information to non-affiliated third parties except as permitted or required by law.

Chapman Financial Group is committed to safeguarding the confidential information of its clients. The firm holds all personal information provided by clients in the strictest confidence and it is the objective of Chapman Financial Group to protect the privacy of all clients. Except as permitted or required by law, Chapman Financial Group does not share confidential information about clients with non-affiliated parties. In the event that there were to be a change in this policy, Chapman Financial Group will provide clients with written notice and clients will need to direct Chapman Financial Group as to whether such disclosure is permissible.

To conduct regular business, Chapman Financial Group may collect personal information from sources such as:

- Information reported by the client on applications or other forms the client provides to Chapman Financial Group
- Information about the client's transactions implemented by others
- Information developed as part of financial plans, analyses or investment advisory services

To administer, manage, service, and provide related services for client accounts, it is necessary for Chapman Financial Group to provide access to customer information within the firm and to non-affiliated companies with whom Chapman Financial Group has entered into agreements with. To provide the utmost service, Chapman Financial Group may disclose the information below regarding customers and former customers, as necessary, to companies to perform certain services on the firm's behalf.

- Information our firm receives from the client on applications (name, social security number, address, assets, etc.)
- Information about the client's transactions with others (account information, payment history, parties to transactions, etc.)
- Information concerning investment advisory account transactions
- Information about a client's financial products and services with our firm

Since Chapman Financial Group shares nonpublic information solely to service client accounts, the firm does not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted by law. However, Chapman Financial Group may also provide customer information outside of the firm as required by law, such as to government entities, consumer reporting agencies or other third parties in response to subpoenas. In the event that Chapman Financial Group has a change to its customer privacy policy that would allow it to disclose non-public information not covered under applicable law, Chapman Financial Group will allow its clients the opportunity to opt out of such disclosure.

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