

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

**Chrysalis Investment Management, LLC**

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This brochure provides information about the qualifications and business practices of Chrysalis Investment Management, LLC. If you have any questions about the contents of this brochure, please contact Robert Grunzinger at 314-726-5500 or [bgrunzinger@chrysalisim.com](mailto:bgrunzinger@chrysalisim.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Chrysalis Investment Management LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2****Material Changes**

The SEC adopted “Amendments to Form ADV” in July, 2010. This Firm Brochure, dated 08/31/2018, is our new disclosure document prepared according to the SEC’s new requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

**AMENDMENT TO ADV PART 2A, DISCLOSURE BROCHURE****ITEM 5 Fees and Compensation**

We have updated this section to reflect potential fees and commissions paid by clients related to transactions charges, if applicable, for trades executed in Client’s accounts.

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## Item 4

## Advisory Business

Chrysalis Investment Management, LLC (“CIM”), is a state registered investment advisor with its principal place of business in St. Louis, Missouri. Chrysalis Investment Management, LLC began conducting business in 2008.

Listed below are the firms principal shareholders (i.e. those individuals and/or entities controlling 25% or more of this company).

- Robert J. Grunzinger

Chrysalis is committed to providing continuous advice and management services based on the individual needs of the client. Prior to becoming a client of CIM, detailed personal and financial information is collected. This data is necessary in identifying financial goals, investment experience, and risk tolerance. Chrysalis employs fundamental, technical, and cyclical security analysis methods, placing a strong emphasis on value based investing. CIM obtains information from a variety of sources including financial publications, corporate records, third party research, corporate rating services, SEC filings, company press releases and trade publications.

All CIM accounts are managed on a discretionary basis. Account supervisions is guided by the client’s stated objectives. Accounts are diversified across different securities, industries, and assets types in order to meet each client’s financial goals and objectives.

Limitations and/or constraints regarding investment categories or specific securities are reviewed in detail in order to develop the most appropriate investment strategy. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors. Clients with the same objectives and risk tolerances generally will be invested in the same securities.

CIM’s recommendations are not limited to any specific product or service offered by a broker-deal or insurance company and will generally include advice regarding the following types of investments:

- Equity securities
- Warrants
- Corporate Debt securities
- Commercial Paper
- Certificates of Deposits (CD’s)
- Municipal securities
- Mutual Fund Shares
- United States Government securities
- Futures contracts
- Options contracts

CIM may utilize long term purchases, short term purchases, trading strategies, short sales, margin transactions, and option writing as long as the strategies are consistent with client investment profile.

Chrysalis does not currently utilize any wrap fee programs.

As of 08/31/2018, CIM is actively managing \$19,300,000 of client's assets on a discretionary basis.

## **Item 5 Fees and Compensation**

Annual fees for Investment Supervisory Services are based upon a percentage of assets under management. Fees vary by the size of the account according to the fee schedule agreed upon. The standard fee is 1.5% for assets under management; however, all client fees are negotiable and in certain cases may be waived by CIM. Other factors impacting fees charged may include: prior business relationship, anticipated volume of trades and anticipated future services.

The minimum value for a managed account is \$500,000 in cash or securities. CIM may waive this minimum value provision at its discretion. All contracts entered into by clients and CIM adhere to Section 202a (1) of the Investment Advisers Act of 1940.

CIM has entered into a relationship with Saxony Securities, Inc. to effectuate transactions and abide by the duty of best execution. CIM is committed to fulfilling its fiduciary obligation when entering into relationships with any custodian or broker dealer.

Saxony Securities, Inc. will charge a service (confirmation) charge of \$8.95 per trade. In addition to the service charge and advisory fees noted above, Client Accounts will also be assessed applicable transaction charges from the following schedule: Equities: \$20, plus \$.01 per share Options: \$20, plus \$1.00 per contract Fixed Income: \$45 Listed Corporate Bonds: \$45 Load Mutual Funds: \$25 No-load Mutual Funds: \$25 Exchanges: \$20 (Additional postage and handling fees may apply) Unit Investment Trust: \$35. These transaction and execution fees are paid solely by the client to Saxony Securities, Inc. These transaction and service charges and fees may be higher than those normally charged in the industry and other investment advisers may provide the same or similar services for a lower amount.

Clients of CIM will pay advisory fees quarterly in advance. Clients may obtain a refund upon written request on prepaid fees if the advisory contract is terminated. The contract agreement may be terminated within 30 calendar days by providing written notice through mail, fax or other means.

CIM recommends custodians for clients. CIM evaluates all aspects of the custodial relationship in order to determine that the client's best interests are met.

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

Chrysalis Investment Management, LLC does not charge performance-based fees.

## Item 7

### Types of Clients

CIM provides advisory services to the following types of clients:

- Individuals (including high net-worth individuals)

## Item 8

### Methods of Analysis, Investment Strategies and Risk of Loss

CIM uses the following methods of analysis in formulating investment advice and/or managing client assets:

**Fundamental Analysis:** CIM attempts to measure the intrinsic value of a security by looking at economic and financial factors of securities. Relevant factors include the overall economy, industry conditions, financial conditions and the management of the company itself. CIM may use these conditions to determine if a company is underpriced or overpriced, indicating a buy or sell situation.

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down, along with the overall market, regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis:** CIM analyzes past market movements in an attempt to recognize recurring patterns of investor behavior. Reoccurring patterns are analyzed in comparison to present performance in an attempt to predict future price movement.

**Cyclical Analysis:** CIM uses this type of analysis to measure movements of a particular stock against the overall market in an attempt to predict the price movement of a security.

**Risks for all forms of analysis:** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about the securities are providing accurate and unbiased data. While we are alert of indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### Investment Strategies

We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives and goals.

**Long-term purchases:** CIM purchases securities with the idea of holding them in the client's account for a year or longer. This strategy is typically employed when there is a belief that a security may currently be undervalued and/or there exists a desire to gain exposure to a particular asset class over time, regardless of the current projection of the class.

The risk involved in long-term purchase strategy is that holding a security for a long period of time may not take advantage of short-term gains that could be profitable to the client. Moreover, if our predictions are incorrect, a security may decline sharply in value before a decision to sell is made.

**Short-term purchases:** CIM purchases securities with the idea of selling them within a relatively short time (typically less than a year). This strategy is typically used to take advantage of temporary price swings.

There is risk associated with short-term purchase strategy if the anticipated price swing does not materialize. If the expected price movement does not materialize a loss may be incurred.

In addition, this strategy involves more frequent trading than does longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Option writing:** An option is a contract that gives the buyer the right, not the obligation, to buy or sell an asset at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset. The two types of options are calls and puts:

- A call gives you the right to buy an asset at a certain price within a specific period of time. We will buy a call if we believe that the stock will increase substantially before the option expires.
- A put gives the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we believe that the price of a stock will fall before the option exercise

CIM may use options to speculate on the possibility of sharp price swings. Options may be used to hedge, or limit the upside and downside potential of the underlying security. CIM uses both covered calls and spread strategies in option trading.

- *Covered calls* are used to sell an option on an owned security. A fee is received for making the option available, and the purchaser of the option has the right to buy the security at an agreed-upon price.
- *Spread strategies* are used to take positions on both sides of the market with the ability to vary price, time and other factors. "Spreading" utilizes two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security.

**Risk of Loss:** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk. Clients should understand that investing in any securities, including mutual funds, involves a risk of loss of both income and principal.

**Item 9****Disciplinary Information**

CIM is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

There are no criminal or civil actions against any management person or employee.

CIM has no recorded administrative proceeding before the SEC, any federal regulatory agency, any state regulatory agency, nor any foreign financial regulatory authority against any management person or employee.

No management person or employee has been involved in a self-regulatory organization (SRO) proceeding nor found to be in violation of SRO's rules or laws.

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

CIM is the 100% controlling owner of Wheelhouse Securities Holdings, LLC ("Holdings"), a Missouri Corporation. Holdings is the 100% owner of Wheelhouse Securities Corp, ("Wheelhouse"). Certain personnel of Chrysalis are also registered representatives of Saxony Securities, Inc. Saxony Securities, Inc. is an introducing broker-dealer and has a clearing agreement with Pershing, LLC.

CIM and Wheelhouse will buy and sell for itself securities that is also recommends to clients, but at no time, as disclosed in CIM's Code of Ethics, will CIM have a position that is adverse to the client position.

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

Chrysalis Investment Management, LLC ("CIM") and its owners, employees and affiliates have adopted a Code of Ethics as a minimum standard of conduct expected from all individuals associated with CIM. As a condition of their association with CIM, all associated persons are required to acknowledge, in writing, the receipt of the Code of Ethics.

CIM has adopted the following responsibilities to our clients:

- 1. Act in a professional and ethical manner at all times.**
- 2. Act for the benefit of clients.**
- 3. Act with independence and objectivity.**
- 4. Act with skill, competence, and diligence.**
- 5. Communicate with clients in a timely and accurate manner.**
- 6. Uphold the rules governing capital markets.**

The Code states that the client's interest will always come before CIM or any member/employee of CIM.

CIM uses the following in the active pursuit of adherence to ethical activity in the interest of client transactions and personal trading:

- **Loyalty to Customers:** As stated before, CIM will place client's interest first and preserve the confidentiality of information communicated by clients within the scope of the advisory relationship. CIM will refuse to participate in any business relationship or accept any gift that could reasonably be expected to affect their independence, objectivity, or loyalty to clients.
- **Investment Process and Actions:** CIM will use reasonable care and prudent judgment when managing client assets pledging to deal fairly and objectively with all clients when providing investment information, making investment recommendation, or taking investment action. CIM will refuse to engage in practices designed to distort prices or artificially inflate trading volume with the intent to mislead market participants. CIM will also manage any portfolio or pooled fund according to the specific mandate, strategy, or style, while always having a reasonable and adequate basis for investment decision.
- **Trading:** CIM will not act, or cause others to act, on material non public information that could affect the value of a publicly traded investment. CIM will give priority to investments made on behalf of the client over those that benefit their own interest while maximizing client portfolio value by seeking the best execution for all client transactions. CIM will use commissions generated from client trades only to pay for investment-related products or services that directly assist CIM in its investment decision-making process and not in the management of the firm.
- **Compliance and Support:** CIM will maintain policies and procedures to ensure that activities comply with the provisions of the Code and all applicable legal and regulatory requirements. CIM has appointed a compliance officer who is responsible for administering the policies and procedures and for investigating complaints regarding the conduct of CIM or its personnel. CIM will ensure portfolio information provided to clients will be accurate and complete and CIM will arrange for independent third party confirmation or review, if needed. CIM will maintain records for an appropriate period of time in an easily accessible format. CIM will employ qualified staff and sufficient human and technological resources to thoroughly investigate, analyze, implement, and monitor investment decisions and actions. CIM has established a business continuity plan to address disaster recovery or periodic disruptions of the financial markets.
- **Performance and Evaluation:** CIM will present performance information that is fair, accurate, relevant, timely and complete. CIM will not misrepresent the performance of individual portfolios or of the firm. CIM will use fair market prices to value client holdings and apply, in good faith, methods to determine the fair value of any security for which no readily available, independent, third-party market quotation is available.
- **Disclosures:** CIM will communicate with clients on an ongoing and timely basis. CIM will ensure that disclosures are prominent, truthful, accurate, complete, and understandable and are presented in a format that communicates the information effectively. CIM will include any material facts when making disclosures or providing information to clients regarding CIM personnel, CIM investments, or the investment process.

**Item 12** **Brokerage Practices**

CIM requires all discretionary clients to provide written consent authorizing the choice of a broker dealer and the commission costs that will be charged to these clients for these transactions.

Clients must include any limitations on the discretionary authority in the written authority statement. Clients may change/amend the limitations as required provided they are in writing.

CIM does not have any soft-dollar arrangements and does not receive any soft dollar benefits.

**Item 13** **Review of Accounts**

CIM reviews client accounts on a periodic basis. Clients will receive a monthly report from their chosen custodian that will show balances, holdings, prices, total portfolio value, and any activity within each account. Additionally, clients will be able to view their accounts on a daily basis through the custodian's internet portal.

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

CIM may enter into agreements with non-affiliated individuals or entities who solicit services on behalf of CIM. Solicitors will enter into a contractual relationship with CIM, and the amount paid to solicitors for referrals will be disclosed in writing to the client prior to entering a contractual relationship. CIM's referral agreement is in compliance with the federal regulations as set out in Section 17 CFR 275-206 (4)-3, and in each state where state law requires. Each client is given a copy of the referral agreement prior to or at the time of entering into any advisory contract.

**Item 15** **Custody**

Clients will receive account statements from their qualified custodian on a quarterly basis. CIM recommends that clients carefully review and compare these statements with the quarterly reports issued to them by CIM.

**Item 16** **Investment Discretion**

Clients may hire us to provide discretionary assets management services, in which case we place trades in a client's account without contracting the clients prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contracting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by providing us with written instructions.

**Item 17** **Voting Client Securities**

CIM will not vote for all proxies relating to the securities held in the clients' accounts. Proxy votes will generally be cast that, in management's opinion, specifically affect the value of the securities. Votes will be cast in favor of proposals that:

- Maintain or strengthen the shared interests of stockholders and management
- Increase shareholder value, and
- Maintain or increase shareholder rights generally.

Proxy votes will generally be cast against proposals having the opposite affect of the above. CIM may utilize third party proxy services to cast votes. Copies of the proxy policy adopted by CIM may be obtained by writing to:

Robert Grunzinger  
Chrysalis Investment Management, LLC  
317 N. 11<sup>th</sup> Street, Ste 402  
St. Louis, MO 63101

## **Item 18 Financial Information**

As an advisory firm that maintains discretionary authority for clients accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. CIM has no additional financial circumstances to report.

CIM does not require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

CIM has not been subject of a bankruptcy petition at any time during the past ten years.

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

Robert J. Grunzinger, CFA, CPA (inactive) is the President and Chief Compliance Officer of CIM. Mr. Grunzinger was born in 1974 and received B.S. degrees in Accounting and Business Administration from the University of Kansas. Prior to starting CIM, Mr. Grunzinger was the Chief Investment Officer, Secretary, Board Member and minority shareholder of an SEC registered adviser. Additionally, prior to starting CIM, Mr. Grunzinger was the Treasurer, Financial Operations Principal, and Board Member of a local Broker/Dealer.

Mr. Grunzinger holds the series 7, 24, 27, 63, 65 licenses from FINRA (formerly known as the NASD).

Mr. Grunzinger has not been found liable for any arbitration claims alleging damages and has never been liable in a civil, SRO or administrative proceeding.