UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 52973 / December 16, 2005

INVESTMENT ADVISERS ACT OF 1940
Release No. 2464 / December 16, 2005

ADMINISTRATIVE PROCEEDING
FILE No. 3-11999

In The Matter of **NATHAN A. CHAPMAN, JR.,** **Respondent.**	**: ORDER MAKING FINDINGS AND** **: IMPOSING REMEDIAL SANCTIONS** **: PURSUANT TO SECTION 15(b) OF** **: THE SECURITIES EXCHANGE OF** **: 1934 AND SECTION 203(f) OF THE** **: INVESTMENT ADVISERS ACT OF** **: 1940**

I.

On August 1, 2005, the Securities and Exchange Commission ("Commission") instituted public administrative proceedings, pursuant to Section 15(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Section 203(f) of the Investment Advisers Act of 1940 ("Advisers Act"), against Respondent Nathan A. Chapman, Jr. ("Respondent" or "Chapman").

In response to the institution of these administrative proceedings, Respondent has submitted an Offer of Settlement ("Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission or in which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over him and the subject matter of these proceedings and the findings contained in paragraphs II.D. and E. below, which are admitted, Respondent consents to the issuance of this Order Making Findings and Imposing Remedial Sanctions Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940("Order").

II.

On the basis of this Order and the Offer submitted by Chapman, the Commission makes the following findings:

A. Nathan A. Chapman, Jr., age 47, is a resident of Columbia, Maryland. From approximately 1987 through November 2004, Respondent was the President and Chairman of the Board of The Chapman Company ("TCC"), a broker-dealer registered with the Commission since

1987. He is currently the President, Director, and control person of Chapman Capital Management ("CCM"), an investment adviser registered with the Commission since 1988. During the time in which he engaged in the conduct underlying the indictment described below, Respondent was also a registered representative and registered securities principal associated with TCC. He resigned from TCC in November 2004, at which time his registration was terminated.

B. On June 26, 2003, the Commission filed a complaint in United States District Court against Chapman, eChapman, Inc. ("ECMN"), TCC, CCM and others. The Commission alleged a fraudulent scheme by Chapman in connection with the June 2000 Initial Public Offering ("IPO") of, and subsequent secondary market trading in, the common stock of ECMN, the parent company of TCC and CCM. In an effort to salvage the collapsing IPO, Chapman used TCC and CCM to make unauthorized ECMN IPO purchases for customer accounts, backdate trades, and place almost one-third of the IPO shares in the account of a CCM advisory client, the DEM-MET Trust ("the Trust"). *SEC v. Chapman, et al.*, Civil Action No. WDQ-03-1877 (D. Md.); Lit. Rel. No. 18203 (June 26, 2003). That litigation is currently pending.

C. On June 26, 2003, the U.S. Attorney's Office for the District of Maryland announced the filing of a 36-count indictment of Chapman. *U.S. v. Chapman*, Crim. No. WDQ-03-0301 (D. Md.). The factual basis for these charges included the unauthorized placement by Chapman, through TCC, of 175,000 shares in the Trust's account at CCM several days after the IPO at the IPO price of $13 per share rather than the market price of $7 per share, resulting in an immediate loss of approximately $1 million. The indictment also alleged that ECMN and TCC, through Chapman, executed this transaction and that Chapman knew that ECMN stock was an unacceptable investment for the Trust. This conduct was charged in the indictment as wire fraud, mail fraud, and investment advisory fraud under Sections 206(1), (2) and (3) of the Advisers Act.

D. On August 12, 2004, a jury convicted Chapman of 23 felony offenses, including the charges described in Paragraph C above. Specifically as to the investment advisory fraud, the jury found that Chapman had "engaged in transactions, practices, and courses of business which operated as a fraud and deceit upon" an investment advisory client, and that he "caused TCC to act as a principal for its own account and knowingly purchase and sell ECMN securities for a client without disclosing to the client in writing before the completion of the transaction the capacity in which it was acting, and obtaining the consent to the transaction." As to the relevant mail and wire fraud charges, the jury specifically found that Chapman "knowingly and willfully executed, or attempted to execute, a scheme or artifice to obtain money or property by means of false or fraudulent pretenses, representations or promises reasonably calculated to deceive persons of average prudence, or by material omissions or failure to speak when there is a duty to do so."

E. On November 1, 2004, Chapman was sentenced to 90 months incarceration and ordered to pay $5 million in restitution.

F. Chapman's criminal conviction arose out of his conduct of the business of a broker-dealer, TCC, and an investment adviser, CCM, both of which he controlled, and involved in the purchase or sale of securities.

III.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Chapman's Offer.

Accordingly, it is hereby ORDERED:

That, pursuant to Section 15(b) of the Exchange Act and Section 203(f) of the Advisers Act, Chapman be, and hereby is, barred, from association with any broker, dealer, or investment adviser.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

For the Commission, by its Secretary, pursuant to delegated authority.

Jonathan G. Katz
Secretary