

Item 1 – Cover Page



# Charter Capital Management, LLC

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February 22, 2011

This Brochure provides information about the qualifications and business practices of Charter Capital Management, LLC (“CCM”). If you have any questions about the contents of this Brochure, please contact us at 850-502-4290. 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.

Charter Capital Management, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Charter Capital Management, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated February 22, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting John Player, Director of Brand Development at 850-502-4290 or [jwplayer@charter-capital.com](mailto:jwplayer@charter-capital.com).

Additional information about Charter Capital Management, LLC is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with CCM who are registered as investment adviser representatives of CCM.

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#### **Item 4 – Advisory Business**

Charter Capital Management, LLC was formed in 2000. Steven M. Bruce is the sole owner and control person.

As of February 11, 2011, CCM had approximately \$146,300,000 in discretionary assets and \$131,900,000 in non-discretionary assets under management.

Charter Capital Management, LLC provides investment supervisory services to individuals and pooled investment vehicles. Pooled investment vehicles could be those formed by CCM or its related persons as General Partner or by a third-party whereas CCM acts as sub-adviser. CCM uses mutual funds and exchange-traded funds (“ETFs”) to construct portfolios with the primary goal of protecting downside risk. Technical analysis is used to identify market trends. CCM selects a core group of securities to hold long-term and compliments those holdings by employing an active trading strategy using negatively correlated mutual funds and ETFs.

At the onset of a client relationship, CCM explains the investment process and the risk factors involved to ensure that CCM’s investment strategy is appropriate for the client. Because CCM’s investment process utilizes an active trading strategy based on moving market indicators and the timing of such indicators, any limitations or restrictions placed on the management of the account would adversely affect the performance of the account.

##### Private Funds

Charter Capital Management, LLC formed two private funds: the Charter Capital Fund I, LP and Charter Capital Fund II, LP, collectively the “Funds”. The Charter Capital Fund I, LP can only accept taxable assets. Charter Capital Fund II, LP is organized to allow tax-deferred assets. The Funds are exempt from registration under Section 3(c)(1) of the Investment Company Act of 1940. They are managed in accordance with their own investment objectives, strategies and guidelines and are not tailored to the individualized needs of any particular investor in the Funds. Therefore, investors must consider whether the Funds meet their investment objectives and risk tolerance prior to investing. Detailed information about the Funds can be found in each respective Fund’s private placement memorandum.

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

##### Separate Accounts:

Clients pay CCM a fee based on the value of assets in their account. Fees are charged quarterly in arrears based on the average weighted end-of-day valuation for the quarter. While CCM intends to charge fees in accordance with the standard fee schedule in place at the time of executing the portfolio management agreement, fees are subject to

negotiation and may vary from the standard schedule to reflect circumstances that apply to a specific client account. The fee schedule, and any applicable terms and conditions, is stated in the client's portfolio management agreement.

The standard fee schedule for investment advisory services is as follows:

Annualized Fee:	2.00%
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The advisory fee covers only the portfolio management and advisory services provided by CCM and does not include brokerage commissions, redemption fees, mark-ups and mark-downs, exchange fees, dealer spreads or other costs associated with the purchase and sale of securities, custodian fees, transfer fees, wire fees, interest, taxes, or other account expenses. All fees paid to CCM for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or in conjunction with internal expenses associated with exchange-traded funds. The client will be solely responsible, directly or indirectly, for these additional expenses. CCM does not receive any portion of these additional fees. Refer to Item 12 for a detailed discussion of brokerage practices.

Clients grant CCM the authority to debit advisory fees directly from the clients' accounts, and therefore, CCM is deemed to have custody of the client's funds. Clients will receive a statement, usually monthly but no less than quarterly, directly from their account custodian. CCM urges clients to review the information on the statement for accuracy and compare the information to any reports received directly from CCM. Please refer to Item 15 of this document for additional disclosures relating to Custody.

#### Private Funds

Fees and expenses paid by Private Funds are described to investors, in detail, in each Private Fund's private placement memorandum.

Private Fund fees vary depending on the nature of the services provided and the investment strategy utilized but generally include: (1) a management fee of 1.5% based on a percentage of assets under management; and (2) an incentive fee equal to 10% percent of capital appreciation. With respect to incentive fees, any losses are carried forward so that no incentive fee is charged unless the losses have been recouped, subject to certain adjustments (i.e. a high water mark provision). To the extent that an investor in a Private Fund is not a "qualified investor" as that term is defined in federal securities laws, such investor shall pay only a management fee, in the amount of 2.5% based on the percentage of assets under management. Management fees with respect to Private Funds are payable monthly in advance. Incentive fees are paid through an annual allocation of profits from each limited partner into the general partner's capital account at each calendar year end.

CCM utilizes margin to leverage the investments in the Private Funds. Margin strategies entail additional fees and expenses, as the Funds must pay interest on any amounts borrowed against the account. When using margin, investment advisory fees are

calculated on the net account balance (rather than the total market exposure) in order to avoid any incentive for CCM to use margin to potentially increase the fee paid by the client.

Investors may withdraw all or a portion of their capital account on the first day of each calendar month upon 15 days prior written notice, or otherwise at the general partner's discretion. Specific procedures and restrictions apply to withdrawals and terminations, as described in each Private Fund's private placement memorandum. The general partner, in its sole discretion, may impose minimum redemption amounts and require the maintenance of a minimum capital account size in the event of a partial withdrawal. The general partner may also, in its sole discretion, require an investor to redeem all or part of its interest in a Private Fund.

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

Private Funds managed by CCM pay a performance fee equal to a percentage of the capital appreciation of the Funds. CCM structures any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940. In calculating the performance fee, CCM includes realized and unrealized capital gains and losses. Performance based fee arrangements may create an incentive for CCM to recommend investments that are riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts when allocating investment opportunities among clients. In order to prevent this conflict from influencing CCM's portfolio management decisions, CCM's internal procedures require that all clients be treated fairly and equally.

#### **Item 7 – Types of Clients**

CCM primarily offers its investment strategy to individuals and pooled investment vehicles. The minimum account size for each of the advisory services offered follows. CCM may choose to waive any minimum requirement at its discretion.

Private Funds (see Private Placement Memorandum)	\$500,000
Separate Accounts	\$250,000

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

Charter Capital Management's primary objective is to maximize portfolio returns while minimizing volatility and market risk. This is achieved by using technical indicators to analyze the business cycle stage and corresponding market risk. CCM employs a flexible

asset selection strategy and an active management style focusing on holding mutual funds or ETFs with ideal risk-adjusted performance characteristics. In order to protect capital, CCM also utilizes mutual funds or ETFs whose investment objectives are negatively correlated to widely recognized indexes representing various areas of the U.S. securities market (often referred to as “inverse funds”).

CCM manages client account with a Moderate Risk investment profile. Private Funds have the option of using margin. Separate accounts do not use margin. The use of margin may increase the risk of the portfolio.

Several risk measurements are used to analyze risk in a portfolio, including but not limited to:

- 1.) Standard deviation
- 2.) Downside deviation
- 3.) Ulcer index
- 4.) Maximum drawdown
- 5.) Sharpe ratio
- 6.) Beta

CCM uses Captools portfolio management software. Captools interfaces directly with TD Ameritrade, who is the custodian for all client accounts. Transactions are downloaded daily and positions are reconciled daily. Each account is compared to the model portfolio daily to ensure synchronization to the model.

Research data is obtained from a variety of sources, although the primary source of information comes from Investors FastTrack Database, Morningstar and TD Ameritrade Veo. These research products provide a comprehensive quantitative analysis tool, which allows CCM to analyze performance and risk measurements to aid in constructing portfolios consistent with the level of the model.

Investing in securities involves risk of loss that clients should be prepared to bear. CCM uses its best judgment and good faith efforts in providing advisory services to clients. CCM cannot warrant or guarantee any particular level of account performance, or that an account will be profitable over time. Not every investment decision or recommendation made by CCM will be profitable. Investments in securities are subject to various market, currency, inflation, economic, political and business risks. CCM attempts to minimize these risks by using technical indicators, trading strategies and inverse funds to mitigate this risk.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of CCM or the integrity of CCM's management. CCM has no disciplinary events to disclose.

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

As discussed previously, CCM created two Private Funds, the Charter Capital Fund I, LP and Charter Capital Fund II, LP. To the extent that either of the Fund(s) may be an appropriate investment for CCM's clients, those clients may be solicited to invest in the Private Funds. Interests in such Funds will only be offered to a limited number of investors who are able to bear the risk of an investment in the Funds and who meet the requirements set forth in each Funds' offering documents.

## **Item 11 – Code of Ethics**

CCM requires all officers, directors, and employees to adhere to the Code of Ethics. The purpose of the Code of Ethics is to ensure that CCM conducts its business with the highest level of ethical standards and fulfills its fiduciary duties to its clients. CCM has a duty to exercise its authority and responsibility for the benefit of its clients, to place the interests of its clients first, to refrain from having outside interests that conflict with the interests of its clients, to safeguard clients' personal information, and to comply with all federal securities laws as they apply to the business of CCM. CCM and its employees must avoid any circumstances that might adversely affect or appear to affect its duty of loyalty to its clients. A complete copy of the Code of Ethics will be furnished upon request.

An investment adviser's Code of Ethics requires certain employees (Access Persons) to report their personal securities holdings within ten days of being hired and annually thereafter, and are required to report securities transactions within thirty days of the end of each calendar quarter. In addition, any investment in an IPO or limited offering must be pre-approved by the Chief Compliance Officer prior to any transaction by the employee. The Chief Compliance Officer or other designated person reviews the personal investment activity of each employee to ensure employee trading activity does not conflict with advice provided to clients.

Employees are permitted to invest in the same securities that are purchased and sold for client accounts, including investing in Private Funds offered by CCM. Because CCM primarily invests client accounts in mutual funds and/or ETFs, any potential conflicts are minimal.



To the extent that the Private Funds offered by CCM are an appropriate investment for CCM's clients, those clients may be solicited to invest in the Private Funds. Interests in the Funds will only be offered to a limited number of investors who are able to bear the risk of an investment in the Funds and who meet the requirements set forth in each Funds' offering documents. CCM receives a management fee as well as an incentive fee on the assets invested in the Funds. The Private Funds employ certain investment strategies and engage in activities such as short selling and the use of leverage, which may increase the risk of loss to investors.

## **Item 12 – Brokerage Practices**

Charter Capital Management requires clients use TD Ameritrade for purchases and sales of securities and for custodial services. The reason for preferring TD Ameritrade is their discounted commission rates; availability of no-load mutual funds; electronic trading, daily transaction downloads; and dedicated service team. Charter Capital Management receives no fees or compensation from TD Ameritrade. Nonetheless, not all advisers require clients to use the services of a particular broker/dealer or custodian. This requirement limits CCM's ability to seek out brokers with different pricing structures or broader services, or to receive more favorable pricing on securities transactions. Therefore, by directing brokerage, clients may not receive best execution on transactions.

CCM regularly assesses the services provided by TD Ameritrade to determine that the reasonableness of commissions is consistent with their ability to provide quality services to CCM and its clients. CCM believes that, in consideration of all services provided by the custodian/broker, including but not limited to commission rates and other fees, the custodian/broker is providing overall execution quality consistent with CCM's duty to seek best execution for its clients.

CCM seeks to negotiate the best overall fee available to the client considering such items including, but not limited to, cost, execution quality, research, service, technology, and trade facilitation. At CCM's request, TD Ameritrade agreed to waive the transaction fee associated with mutual funds in certain fund families for all of CCM's client accounts custodied at TD Ameritrade.

CCM aggregates client orders consistent with its policy of seeking best price and execution. Clients participating in an aggregated order participate at the average share price. Partially filled transactions will be allocated pro-rata based on each client's participation in the transaction.

CCM does not receive any research or brokerage services under any formal or informal soft dollar arrangements.

### **Item 13 – Review of Accounts**

Accounts are reconciled daily to ensure synchronization to the respective Portfolio Model. The Portfolio Model allocations are monitored and adjusted as needed to control volatility consistent with the level of risk. Particular attention is given to selecting mutual funds with good risk-adjusted performance.

Steve Bruce performs all reviews on Portfolio Model allocations and then reviews all accounts for synchronization to those portfolio models.

Separate account clients receive statements directly from their account custodian, TD Ameritrade, usually monthly but no less than quarterly. CCM provides quarterly reports that include account holdings, performance and management fee letter. CCM urges clients to compare information contained in CCM's reports to the statements received directly from TD Ameritrade.

Investors in Private Funds receive a monthly report of their respective Capital Account that show the beginning and ending value of their investment in the Fund(s), any deposits or withdrawals for the period and the performance of their account. Reports for Private Fund investors are prepared by the Funds' third-party administrator. Investors will also receive an annual audit report prepared by an independent certified public accountant within 120 of the funds fiscal year end.

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

Charter Capital Management has access to free or discounted research materials from broker-dealers and/or third-party providers in exchange for having client assets custodied at TD Ameritrade. TD Ameritrade may provide free industry information that does not qualify as research, such as newsletter or other publications pertaining to compliance, marketing, practice management, etc. In addition, events such as workshops or conferences may be available at reduced cost or no cost. These benefits are not provided on the basis of client transactions. Under no circumstances do any clients pay additional fees or commissions in order to obtain these products or services.

### **Item 15 – Custody**

CCM is deemed to have custody of client funds because investment advisory fees are directly debited from client accounts. Debiting of fees is done pursuant to authorization provided by each client. Usually monthly, but no less than quarterly, clients receive account statements directly from the custodian of their account. Custodial statements include account holdings, market values and any activity that occurred during the period, including the deduction of investment advisory fees. CCM urges clients to compare

information contained in reports provided by CCM with the account statements received directly from the account custodian. Differences in portfolio value may occur due to various factors, including but not limited to: (1) unsettled trades; (2) accrued income; (3) pricing of securities; and (4) dividends earned but not received.

CCM and its officers/directors have direct access to the assets held in the Private Funds recommended to clients. CCM complies with the requirements of the Custody Rule under the Investment Advisers Act of 1940 with regard to the custody of Private Funds, including engaging the services of an independent accountant to conduct a financial audit of the Private Funds each year. A copy of the audit is provided to participant in the funds within 120 days of each Fund's fiscal year-end.

### **Item 16 – Investment Discretion**

CCM manages client portfolios on a discretionary basis. Clients grant CCM discretion over their account by providing authorization in the advisory agreement. This authorization gives CCM the authority to determine, without first obtaining specific client consent, the securities to be bought or sold, the amount of the securities to be bought or sold, the broker/dealer used for execution of client transaction, and the commission rate paid by the client.

Non-discretionary portfolio management is only offered in very limited circumstances; such as where CCM acts as sub-adviser to the account and management of the account is a coordinated effort between the adviser and sub-adviser.

### **Item 17 – Voting Client Securities**

CCM does not take action or render any advice with respect to voting of proxies for the securities in client accounts. CCM will have no obligation to render advice or take any action with respect to any securities subject to any legal proceedings, such as class action lawsuits or bankruptcy. Clients will receive all proxies and other solicitations directly from their custodian.

### **Item 18 – Financial Information**

Registered investment advisers are required to provide you with certain financial information or disclosures about CCM's financial condition. CCM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

## Brochure Supplement – Steven M. Bruce

**This Brochure Supplement provides information about Steven M. Bruce that supplements the Charter Capital Management, LLC Brochure, which is attached to this document. Please contact John Player, Director of Brand Development if you have any questions about the contents of this supplement.**

**Additional information about Steven M. Bruce is available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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February 22, 2011

## Educational Background and Business Experience

Steven M. Bruce      Year of Birth: 1958

### Education:

1982      Bachelor of Science Chemical Engineering – University of Florida  
1992      Masters of Business Administration – University of West Florida

### Business Background:

Charter Capital Management      Managing Member/Portfolio Manager      2000 – Present

## Disciplinary Information

There are no disciplinary actions to disclose.

## Other Business Activities

Steven M. Bruce is the managing member of the General Partner to the Charter Capital Fund I, LP and Charter Capital Fund II, LP. These Funds are offered to clients who meet the qualifications set forth in each respective Fund's private placement memorandum.

## Additional Compensation

Steven M. Bruce does not receive additional compensation or other economic benefit from any third party in connection with the advisory services offered to clients.

## Supervision

Steven M. Bruce is the President of Charter Capital Management, LLC and is responsible for all supervisory functions.