

Item 1 – Cover Page

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March 15, 2011

This Brochure provides information about the qualifications and business practices of Granville Capital, Inc. If you have any questions about the contents of this Brochure, please contact us at 336-273-8544 or [info@granvillecapitalinc.com](mailto:info@granvillecapitalinc.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.

Granville Capital, Inc. 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 which you utilize to determine to hire or retain an Adviser.

Additional information about Granville Capital, Inc. (CRD Number 126679) is 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 State 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 March 15, 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 ADV Part II 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. This Item will also reference the date of the 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 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 Terri Ross, Manager of Fund Operations, at 336-273-8544 or [info@granvillecapitalinc.com](mailto:info@granvillecapitalinc.com).

Additional information about Granville Capital, Inc. is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s website also provides information about any persons affiliated with Granville Capital, Inc. who are registered, or are required to be registered, as investment adviser representatives of Granville Capital, Inc.

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#### **Item 4 – Advisory Business**

Granville Capital, Inc. (“Granville”) commenced operations in February 2003, and is wholly-owned by Stephen C. Hassenfelt. Granville serves as the general partner of Granville Multi-Strategy Partners, L.P. (formerly known as NCT Opportunities Equity Partners Limited Partnership), Granville Equity Partners, L.P., and Granville Opportunity Partners, L.P. (formerly known as Granville Absolute Return Partners, L.P.), each a North Carolina limited partnership, which is exempt from registration as an investment company pursuant to Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act of 1940, as amended. Granville serves as the investment manager for Granville Multi-Strategy Partners, L.P. and Granville Multi-Strategy Global Partners, Ltd., a Cayman Islands exempted company. Granville is a general partner in GPEP Associates, L.P., a North Carolina limited partnership, which serves as the investment manager and is the general partner of Granville Private Equity Partners, L.P., a North Carolina limited partnership. Granville also offers separate accounts. Granville offers advice on manager selection and monitoring and allocates client assets to a variety of investment managers, who in turn invest such assets using investment approaches that are diversified among multiple strategies, asset classes, regions, industry sectors, and securities.

As of December 31, 2010, Granville’s assets under discretionary management were \$282,100,000, and assets under non-discretionary management were \$194,000,000.

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

Granville’s fixed fees for services as general partner and investment manager of Granville Multi-Strategy Partners, L.P., Granville Equity Partners, L.P., Granville Opportunity Partners, L.P., and Granville Multi-Strategy Global Partners, Ltd. are based upon a percentage of assets managed. The standard asset-based management fee is 1% per year (0.25% per quarter) and is paid in advance at the beginning of each calendar quarter. Fees are deducted from partnership assets. In the event a limited partner is admitted on a day other than the first business day of a calendar quarter, or a limited partner withdraws funds during a quarter, management fees are adjusted (charged or refunded for the ratable portion of the quarter) and are paid or refunded at the beginning of the next quarter. Granville, in its sole discretion, may reduce or waive the standard asset-based management fee for certain limited partners. For example, Granville may enter into agreements with certain financial institutions and investment advisers under which these financial institutions and investment advisers will (1) advise their clients of the availability of

limited partnerships for which Granville serves as general partner and/or investment manager and (2) share responsibility for providing services to mutual clients with respect to partnership matters. For limited partners who are clients of these financial institutions or investment advisers, the standard asset-based management fee may be discounted by up to 25% to reflect the shared responsibility for providing client services. No management fee is paid by the general partner or any limited partner who is an affiliate of the general partner.

As the general partner of Granville Private Equity Partners, L.P., GPEP Associates, L.P. (of which Granville is the general partner), receives a fixed quarterly fee equal to .235% (.94% per year) of each partner's capital commitment, plus .125% (.5% per year) of the excess, if any, of the fair market value of each partner's capital account over the partner's capital commitment. The general partner may, in its sole discretion, reduce the quarterly fee for all partners on the same basis. The fee is paid in advance at the beginning of each calendar quarter. Fees are deducted from partnership assets.

Fees for other investment supervisory services are negotiated on a case-by-case basis. Certain clients are charged a fixed fee based on certain administrative services provided. These fixed fees are billed in arrears at the end of each calendar quarter.

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

In addition to management fees, Granville is also entitled to an investment management allocation of net profits based upon performance of Granville Multi-Strategy Partners, L.P., Granville Equity Partners, L.P., Granville Opportunity Partners, L.P., and Granville Multi-Strategy Global Partners, Ltd. Investment management allocations are made annually and are 5% of net realized and unrealized profits, subject to a high water mark provision. No investment management allocation shall apply to any limited partner who is an affiliate of the general partner. Granville, in its sole discretion, may reduce or waive the investment management allocation for certain limited partners.

After the limited partners of Granville Private Equity Partners, L.P. have received a preferred return of 8% per annum, compounded annually, on unreturned capital contributions, the general partner of Granville Private Equity Partners, L.P., GPEP Associates, L.P. (of which Granville is the general partner), is entitled to an allocation of 10% to 20% of any additional realized profits depending upon the nature of the investments.

Performance based fee arrangements may create an incentive for Granville to make investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

## **Item 7 – Types of Clients**

Granville provides investment advisory services to high net worth individuals and certain pooled investment vehicles. The pooled investment vehicles are structured as limited partnerships and a Cayman Islands exempted company. Investors in the pooled investment vehicles are accredited investors. The minimum initial investment is \$1,000,000 for Granville Multi-Strategy Partners, L.P., Granville Equity Partners, L.P., and Granville Opportunity Partners, L.P. and \$2,000,000 for Granville Multi-Strategy Global Partners, Ltd., subject to increase or decrease in the discretion of the General Partner.

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

Granville allocates client assets to a variety of investment managers generally through the purchase of an interest in a private investment fund, limited partnership, or other pooled investment vehicle managed by an investment manager. The investment strategies employed by the investment managers include, but are not limited to, investing and trading in marketable securities (both long and short), the utilization of market timing, arbitrage (convertible, merger, and capital structure), foreign securities, private securities, and, to a limited extent, futures. In addition, assets may be allocated to investment managers that specialize in small capitalization stocks and cyclical stocks. Portfolio securities in which the investment managers invest are generally marketable, although the interests in the limited partnerships in which Granville invests may not themselves be marketable. The investments by Granville Private Equity Partners L.P.'s managers, however, primarily involve purchases of non-marketable or illiquid securities. The securities and other instruments in which the investment managers invest primarily include equity and debt securities (domestic and foreign), but may also include equity-related instruments, currencies, financial futures, and fixed income and other debt-related instruments. In addition, the investment managers may sell securities short and use a wide range of other investment techniques, which generally will involve the use of leverage. Granville's investment managers' strategies and their underlying investments involve risk of loss that clients should be prepared to bear. Granville may temporarily invest directly in money market funds pending investments with investment managers. The partnerships also may borrow money from time to time, using the investment interests as collateral, to facilitate

the orderly liquidation of investments and reinvestment of the proceeds, to fund withdrawals, to pay fees, expenses, and other obligations of the investment partnership in the ordinary course of business; and to finance the purchase of investments.

Granville seeks to invest its clients' assets with investment managers that pursue investment approaches that are diversified among multiple strategies, asset classes, regions, industry sectors, and securities. In selecting investment managers and allocating assets among them, Granville considers both quantitative and qualitative factors including, but not limited to, an investment manager's performance during various time periods and market cycles; an investment manager's reputation, experience, and training; its articulation of, and adherence to, its investment philosophy; the presence and deemed effectiveness of an investment manager's risk management discipline; the structure of an investment manager's portfolio and the types of securities or other instruments held; its fee structure; on-site interviews of an investment manager's personnel; the quality and stability of an investment manager's organization, including internal and external professional staff; and whether an investment manager has a substantial personal investment in the investment program it pursues. Granville conducts its own proprietary research on all managers in which it invests, using a wide range of publicly and privately available sources of information that it deems relevant to its investment decisions. Information reviewed may include, but is not limited to, offering memoranda, limited partnership agreements, presentation materials, audited financial statements, performance history, use of leverage and derivatives, perspectives of references and service providers, investment philosophy and process, portfolio management and risk management systems, and issues affecting business risk.

## **Item 9 – Disciplinary Information**

As a registered investment adviser, Granville is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Granville or the integrity of Granville's management. Granville has no information applicable to this Item.

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

Granville serves as general partner of Granville Multi-Strategy Partners, L.P., Granville Equity Partners, L.P., and Granville Opportunity Partners, L.P. Granville serves as the investment manager of Granville Multi-Strategy Partners, L.P. and Granville Multi-Strategy Global Partners, Ltd. Granville serves as the general partner of GPEP Associates, L.P., which serves as the general partner of Granville Private Equity Partners, L.P. Certain officers of Granville have an interest in Granville Multi-Strategy Partners, L.P., Granville Opportunity Partners, L.P., Granville Equity Partners, L.P., and Granville Private Equity Partners, L.P.

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

Granville Capital, Inc. has adopted a Code of Business Conduct and Ethics for all employees of the firm describing its high standard of corporate and individual conduct. The Code of Business Conduct and Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All employees at Granville must acknowledge the terms of the Code of Business Conduct and Ethics upon employment, then annually, or as amended.

Granville has an interest in Granville Multi-Strategy Partners, L.P., Granville Equity Partners, L.P., Granville Opportunity Partners, L.P., and Granville Multi-Strategy Global Partners, Ltd. arising from its capital account in each partnership or its investment in the company and receives a pro-rata share of the capital appreciation based upon the relative value of its respective capital account or its investment. In addition, as general partner of Granville Equity Partners, L.P. and Granville Opportunity Partners, L.P. and as investment manager of Granville Multi-Strategy Partners, L.P. and Granville Multi-Strategy Global Partners, Ltd., Granville is entitled to receive a performance-based allocation or fee as described in Item 6 above. Granville has an indirect interest in Granville Private Equity Partners, L.P. through its interest in GPEP Associates. Certain officers of Granville have an interest in Granville Multi Strategy Partners L.P., Granville Equity Partners, L.P., Granville Opportunity Partners, L.P., and Granville Private Equity Partners, L.P.



While Granville does not trade in securities for its own account, personnel of Granville may do so, and may purchase and sell the same securities purchased or sold on behalf of client accounts. Under Granville's Code of Business Conduct and Ethics, Granville's personnel are prohibited from engaging in, or recommending, any securities transactions that place their own interests above those of Granville clients.

Granville clients or prospective clients may request a copy of the firm's Code of Business Conduct and Ethics by contacting Terri Ross, Manager of Fund Operations, at 336-273-8544 or [info@granvillecapitalinc.com](mailto:info@granvillecapitalinc.com)

## **Item 12 – Brokerage Practices**

For fund of funds accounts, Granville has full discretion to determine, without obtaining specific consent, the interests in investment funds to be bought or sold, or the amount of such interests to be bought or sold. Granville also has full discretion in the selection of broker-dealers, which would primarily be used for equity securities distributed in-kind from investment funds. For such transactions, Granville selects unaffiliated broker-dealers and places primary consideration on the broker-dealer's ability to provide best execution of transactions. Other client accounts are determined on a case-by-case basis in accordance with agreements.

## **Item 13 – Review of Accounts**

Fund of funds accounts are reviewed and updated on a monthly basis by Granville's Manager of Fund Operations, Chief Executive Officer, and Principals. The Manager of Fund Operations receives client account reports from Granville's fund administrator detailing changes in the account due to performance, withdrawals, and subscriptions. Any changes in connection with performance, withdrawals, and subscriptions are reconciled against Granville's records. Financial statements and performance reports are reviewed by Granville's Chief Executive Officer and Principals. Other client accounts are reviewed in accordance with agreements negotiated on a case-by-case basis, but no less frequently than monthly. With the exception of Granville Private Equity Partners, L.P. which reports quarterly, clients receive monthly capital account statements and performance reports, quarterly performance updates, and year-end financial and tax information.

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

Granville does not compensate any non-employee for client referrals.

## **Item 15 – Custody**

In its capacity as the general partner of Granville Multi-Strategy Partners, L.P. , Granville Equity Partners, L.P., and Granville Opportunity Partners, L.P. and comparable positions for Granville Multi-Strategy Global Partners, Ltd. and Granville Private Equity Partners, L.P., which gives Granville legal access to client funds or securities, Granville is deemed to have custody of client assets. Granville uses a third party qualified custodian to safeguard client assets.

Under SEC rules for pooled investment vehicles, Granville is permitted to satisfy the requirements for advisory client account statement delivery and examination requirements by having Granville Multi-Strategy Partners, L.P., Granville Equity Partners, L.P., Granville Opportunity Partners, L.P., and Granville Multi-Strategy Global Partners, Ltd. audited annually by an accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. Granville distributes audited financial statements to each investor within 180 days of each fiscal year end.

Clients invested in Granville Private Equity Partners, L.P. receive quarterly statements directly from the qualified custodian that holds and maintains partnership's assets. Granville urges clients in Granville Private Equity Partners to carefully review such statements and compare such official custodial records to the account statements that Granville provides. Granville Private Equity Partners, L.P. is also required to undergo an annual surprise examination by an independent public accountant.

## **Item 16 – Investment Discretion**

For fund of funds accounts, Granville has full discretion to determine, without obtaining specific consent, the interests in investment funds to be bought or sold, or the amount of such interests to be bought or sold. Granville does not have discretionary authority to manage securities accounts on behalf of its high net worth individual clients.

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

As the investment adviser to fund of funds, Granville has a limited opportunity for proxy voting. Granville casts votes on fund matters, and in the limited cases where terminated managers have distributed securities directly to the funds, Granville may cast votes related to specific securities or money market funds awaiting investment. Clients may obtain a copy of Granville's proxy voting policies and procedures upon request. Clients may also obtain information from Granville about how Granville voted any proxies on behalf of the fund accounts. Clients should direct their requests to Terri Ross, Manager of Fund Operations, at 336-273-8544 or [info@granvillecapitalinc.com](mailto:info@granvillecapitalinc.com)

As a matter of firm policy and practice, Granville does not have any authority to and does not vote proxies on behalf of any of its high net worth individual clients.

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

Registered investment advisers are required in this Item to provide clients with certain financial information or disclosures about their financial condition. Granville 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.