

FORM ADV, PART 2A -

**THE BROCHURE**

OF

**GRISANTI CAPITAL MANAGEMENT LLC**

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March 27, 2018

This Brochure provides information about the qualifications and business practices of Grisanti Capital Management LLC. If you have any questions about the contents of this Brochure, please contact us at 212-218-5300. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.

Additional information about Grisanti Capital Management LLC also is available on the Securities and Exchange Commission website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Grisanti Capital Management LLC is an investment adviser registered with the Securities and Exchange Commission; this registration does not imply that the Adviser or any of its employees has any particular level of skill or training.

## **Item 2**

### **MATERIAL CHANGES**

This Item 2 is intended by the applicable rules of the Securities and Exchange Commission (the “SEC”) to discuss any material changes contained in an annual update of the Brochure in comparison to the prior year’s annual update.

The Adviser believes that there is no material change in this Brochure from our 2017 annual Brochure dated March 30, 2017 except that we no longer provide advisory and other services to a private fund.

Because this Item 2 discusses only those changes to this Brochure that have been made since March 30, 2017 that the Firm believes to be material, this Brochure, including Items 5 and 6 (an alternative fee structure), and Item 8.A. (an arrangement whereby we share some equity research ideas and office space), should be reviewed in its entirety.

In accordance with the SEC’s rules, we use the Brochure as our disclosure document for prospective clients as well as current clients. We deliver the Brochure to prospective clients no later than at the time when the advisory contract is entered into. We send our current clients the annually-updated Brochure, or a separate summary of material changes together with information on how to obtain the complete Brochure and how to obtain information about us through the SEC website.

In addition, we send our clients any interim updates of the Brochure to the extent SEC rules require it or we believe it to be appropriate.

**Item 3**

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**PLEASE NOTE: FOR CONVENIENCE, THIS BROCHURE USES“EMPLOYEES” RATHER THAN THE  
VARIOUS TERMS CONTAINED IN THE BROCHURE’S INSTRUCTIONS**

#### **Item 4**

### **ADVISORY BUSINESS**

#### **A. The Adviser**

Grisanti Capital Management LLC (the “Adviser” or the “Firm”) was formed in June 1999 as a Delaware limited liability company. Since April 2012, the sole principal owner of the Firm has been Christopher C. Grisanti. The Adviser is sometimes referred to in this Brochure as “we” or “us.”

Christopher Couming Grisanti: College of the Holy Cross, Worcester, MA: BA (English Literature), 1983 (cum laude); Harvard Law School, Cambridge, MA: JD, 1987 (magna cum laude). Mr. Grisanti is a Chartered Financial Analyst. Since 2017, Mr. Grisanti has been a Board Member of the following mutual funds: Royce Value Trust, Inc.; Royce Micro-Cap Trust, Inc.; Royce Global Value Trust, Inc.; The Royce Fund; and Royce Capital Fund. Currently, he is a board member and president of the following not-for-profit corporation: 1 East End Avenue Corp. He is also a board member of the American Shakespeare Center, a not-for-profit corporation.

Mr. Grisanti is a co-founder of Grisanti Capital Management LLC (in 1999), and the Chief Executive Officer of Grisanti Capital Management LLC (since April 2012). Mr. Grisanti has been a principal, Portfolio Manager and Analyst/Member of the Investment Team at the Firm since 1999. He was a Director of Research and Managing Director at Key Asset Management Inc. from 1997 to 1999; a Managing Director at Spears Benzak Salomon & Farrell Inc. from 1994 to 1999; and a corporate finance attorney at the law firm of Simpson Thacher & Bartlett from 1988 to 1994.

#### **B. Types of Advisory Services**

The Adviser furnishes investment management services that include the management of equity, fixed income and balanced investment portfolios for separately managed accounts.

#### **C. Client-Specific Services**

The Adviser provides investment advice to separately managed account clients based on a client’s needs, investment objectives and any investment guidelines or restrictions the client may impose.

D. Wrap-Fee Program Participation

The Adviser provides portfolio management services in one wrap fee program – the Morgan Stanley Vision program. The Adviser manages the wrap fee accounts in the same manner as all other separately managed client accounts. The Firm receives a fee for our services that is negotiated with each client; our fee is separate from the fee paid to Morgan Stanley.

E. Client Assets Under Management

The Adviser managed approximately \$269.8 million in client assets on a discretionary basis as of January 1, 2018.

## **Item 5**

### **FEES AND COMPENSATION**

#### **A. Advisory Fees**

The Adviser generally charges a fee for providing advisory services to separately managed accounts solely based on a percentage of the client's assets under management. The basic annual fee is 1% of assets under management. These fees may be negotiated based on the size of and types of investments to be made for the client account, as well as special account structure requirements, the client's objectives or other special considerations.

In a few cases, the Adviser and a client have agreed to a 1% maximum annual fee that consists of a lower fee based on assets under management in combination with a performance-based fee based on capital appreciation, if any, earned by the account. The Adviser may receive the performance-based fee for each calendar quarter (or partial calendar quarter, where applicable) in which capital appreciation in the client's account equals or exceeds an agreed-upon percentage, subject to a "high-water mark provision." This arrangement could result in an annual advisory fee rate that is lower than 1%, but not higher.

The Adviser reserves the right to change, reduce or waive fees in its discretion. For purposes of computing the fee, the value of assets in the client's account is equal to the market value of the securities, or, in the absence of a market value, the fair value as determined in good faith by the Adviser.

#### **B. Frequency and Method of Advisory Fee Payment**

The Adviser's fees are charged on a quarterly basis. Clients pay the advisory fee (whether based on assets under management and/or performance) either directly based on a bill that the Adviser sends to the client, or by instructing their custodian to wire the fee to the Adviser based on a bill that the Adviser sends to the custodian and the client. Clients may select either method.

#### **C. Other Fees or Expenses**

The Adviser receives no fee from clients other than the advisory fee. However, clients will also pay certain third party fees and expenses such as custodian fees and

transaction fees. Please see Item 12., "Brokerage Practice" below, for more information on broker-dealers we use for client transactions.

In some cases, the Adviser's clients will have their accounts domiciled at a bank or broker-dealer that provides management of idle cash balances through a sweep arrangement. In that case, the client often will pay a separate advisory fee to the bank or broker for this service. Since clients pay the Firm an advisory fee based on the total market value of their account, these clients may pay two advisory fees with respect to idle cash balances.

D. Timing of Advisory Fee Payments

The Adviser's fees based on assets under management are generally charged in advance. If an account is closed, the Adviser will refund any previously-paid fees ratably based on the number of calendar days remaining after the termination date in the period for which the fees have been prepaid. Advisory fees based on performance are generally charged at the end of each calendar quarter or at the time an account is closed, for results of the just-ended quarter or other period.

E. Compensation for the Sale of Investment Products

This is not applicable, since neither the Adviser nor any of its employees accepts compensation for the sale of securities or other investment products.

## **Item 6**

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Our clients generally do not pay us a performance-based fee. As described in Item 5., “Fees and Compensation” above, however, a few client accounts currently compensate the Adviser by a combination of a lower fee based on a percentage of assets under management together with a fee based on a percentage of capital appreciation, if any, in the account, with the total compensation to the Adviser capped at the same level as the basic fee charged to our other clients (see Item 5.A). As a result, the fact that some clients pay us a performance-based fee does not cause the Adviser to have a conflict of interest in managing the two types of accounts.

We owe a fiduciary duty to our clients not to favor the account of one client over that of another, without regard to the types and amounts of fees paid by those accounts. We have allocation policies and procedures in place to ensure that all client accounts are treated fairly. Generally allocations are made among accounts with a similar strategy on a pro rata basis based on the size of the account. Explanations for variations from this approach are required to be documented and are subject to the periodic review of our Chief Compliance Officer to ensure that all accounts are being treated fairly.



**Item 7**

**TYPES OF CLIENTS**

We furnish investment management services to individuals, charitable organizations (such as endowments and foundations), tax-exempt entities (such as pension and profit-sharing plans), corporations, partnerships, and other entities.

The Adviser generally requires a minimum of \$1 million for new separately managed investment advisory accounts. The Adviser reserves the right to increase or decrease the minimum account size that it will accept.

## **Item 8**

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

#### **A. Methods of Analysis and Investment Strategies**

The Adviser focuses primarily on U.S. equity securities, including common and preferred securities, predominantly of companies with large capitalizations, with a value investment perspective.

In September 2017, the Adviser entered into an arrangement with Integre Asset Management, LLC ("Integre") in which the two investment advisory firms share equity research ideas. In addition, the two firms began to share office space, for which Integre compensates the Adviser. These arrangements are currently scheduled to expire by May 31, 2019. In order to carry out the Adviser's fiduciary duties to our clients, including the duty of privacy, the Adviser has adopted policies and procedures that are designed to maintain separation of the firms' operations, especially our advisory work on behalf of our clients.

The Firm offers two investment approaches for separately managed account clients. In one, the goal is capital appreciation. In the other, called the High Income Equity Portfolio, we seek to achieve a higher income than the U.S. equity market and substantially less volatility than the U.S. equity market as measured by beta (a standard measure of volatility), in addition to possible capital appreciation, by using (as market conditions permit and warrant) such instruments as high-yielding stocks, high-quality common stocks and common stocks with a higher potential for growth.

By doing fundamental research and analyzing a company's cash flow and/or assets, the Adviser seeks to make long-term investments (with a 3- to 4-year horizon) in securities that sell at a meaningful discount either to the value of their future cash flows or to their net asset value. Our sources of information include some or all of the following: financial publications, the company's press releases and filings, on-site visits to the company, third-party research and corporate rating services.

Generally, client portfolios consist of about 15 to 25 stocks.

For a few clients, the Adviser may offer advice on different types of securities such as foreign stock, over-the-counter stock, corporate debt, municipal securities, mutual fund shares and U.S. Government securities.

*Clients should remember that investing in securities involves the risk of loss, which they should be prepared to bear. No guarantee or representation is made that our investment program will be successful.*

#### B. General Material Risks

All securities investments risk the loss of capital. No guarantee or representation is made that our investment objectives will be achieved or that our program will be successful. Our investment program may at times involve, without limitation, risks associated with limited diversification, volatility, credit deterioration or default risks, counterparty default risks, systems risks and other risks inherent in an account's activities. Certain investment techniques can, in certain circumstances, magnify the impact of adverse market movements to which a client may be subject. In addition, investments in securities and other investments may be materially affected by conditions in the financial markets and overall economic conditions occurring globally.

Our methods of minimizing such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted. Further, we may apply such risk management techniques on a selective or other periodic basis rather than at all times.

There is a risk that an investment will be lost entirely or in part.

The material risks involved in investing as described above are:

- **Market Risk** – The value of the assets of a separately managed account will vary with the value of the securities in the client's account. The value of securities fluctuates constantly based on various factors, including turbulence and volatility in financial markets. Investment in American Depositary Receipts (ADRs), which are U.S. securities that are based on securities of a foreign company, may be subject to the same risks as direct investment in foreign companies, including international trade, currency, political and regulatory risks. The securities markets have in recent years been characterized by high degrees of volatility and unpredictability. In addition, the U.S. and other national economies have recently undergone significant disruptions, and future economic conditions are uncertain.

- **Price Volatility** – Stocks are inherently volatile. Such volatility may result in the value of an account’s assets fluctuating from time-to-time more greatly than that of other investment vehicles which may be more diversified. There can be no assurance that the Adviser’s investment strategies or techniques will be effective in protecting from such price volatility.
- **Concentration Risk** – By investing in a limited number of securities, the client is exposed to greater market risk and potential monetary losses than if there were more securities or more industries represented in the account.
- **Value Investment Risk** – Investments in value stocks are subject to the risk that their true worth may not be fully realized by the market and may remain undervalued for extended periods of time.
- **Transaction Execution and Costs; Brokerage Allocation** – In many cases relatively narrow spreads may exist between the prices at which the Adviser will purchase and sell particular positions. The successful application of the Adviser’s methodology will therefore depend, in part, upon the quality of execution of transactions, such as the ability of broker-dealers to execute orders on a timely and efficient basis. Although the Adviser will seek to utilize brokerage firms which will afford superior execution capability to clients, there is no assurance that all transactions will be executed with optimal quality.

#### C. Security-Specific Material Risks

- **Equity Risk** – Separately managed accounts invest in common stocks or their equivalents. The value of these securities generally will vary with the performance of the issuer and movements in the equity markets. As a result, an account may suffer losses if it invests in equity securities of issuers whose performance diverges from the Adviser’s expectations. An issuer can eliminate dividends paid on common stock. In addition, holders of common stock stand behind bondholders for a company’s assets if and when it should run into a financial problem.

Although primarily a “large-cap” manager, the Adviser may from time to time invest in mid-sized and small capitalization U.S. companies. In addition to the material risks described in subsection B. and subsection C., above, this investment strategy involves the following material risk:

- Smaller Company Risk – Securities of smaller companies may be more volatile than securities of large companies and thus their price may decline more in response to selling pressure.

**Item 9**

**DISCIPLINARY INFORMATION**

This item is not applicable because there are no legal or disciplinary events relating to the Adviser or its employees that would be material to a client's or a prospective client's evaluation of our advisory business or the integrity of our management.

**Item 10**

**OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Neither the Adviser nor, to the extent the category applies, any of its employees: (1) is registered or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer; (2) is registered or has an application pending to register as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of these entities; or (3) recommends or selects other investment advisers for our clients.

## **Item 11**

### **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

#### **A. Code of Ethics**

Our “Code of Ethics and Policy on Insider Trading” provides that, subject to various requirements and restrictions, employees may purchase and sell securities for their personal accounts and for the accounts of their related persons (primarily consisting of immediate family members and certain related entities). The Code is designed to ensure that employees place the interest of clients first, and that they comply with all applicable federal securities laws and rules.

The Code requires that employees obtain prior approval from the Firm’s Chief Compliance Officer of all proposed securities transactions by them or their related persons, including securities offered in an initial public offering or in a private placement, such as private hedge funds and private equity funds. The Code also requires employees to report their and their related persons’ securities transactions on a quarterly basis, and their own and their related persons’ securities holdings on an annual basis.

Employees and their related persons are permitted to effect transactions in the same securities that the Adviser buys or sells for clients, but generally are required to wait until after all client trades in the security are fully executed or are withdrawn. In addition, employees and their related persons may not, without the prior approval of the Firm’s Chief Compliance Officer, effect any securities transactions that have an economic effect opposite to a discretionary client transaction on the same day or that have an economic effect opposite to the portfolio holding of a client. There are also restrictions on investments in the Adviser’s competitors, suppliers and vendors.

The Code also prohibits employees from trading, either personally or on behalf of others, on material non-public information or communicating material non-public information to others in violation of applicable laws.

We will provide a copy of our Code of Ethics and Policy on Insider Trading to any client or prospective client, upon request. Please contact Mr. Michael Pietzak at (212) 218-5322.



B. Client Trades in Securities in which there is a Material Personal Financial Interest

Neither the Adviser nor any of its employees recommends to clients, or buys or sells for client accounts, any securities in which the Adviser or any employee has a material financial interest.

C. Personal Investments in the Same Securities that are Bought or Sold for Clients

As described in subsection A., above, the Adviser's employees and their related persons are permitted to effect purchase or sale transactions in the same securities that the Adviser buys or sells for clients.

In fact the Adviser encourages employees to own the same securities as the Adviser buys for clients, because we believe it is important for us to invest alongside our clients. To avoid the conflicts of interest that permitting employees to do this entails, in that an employee or related person could receive a monetary benefit if they were to trade ahead of clients and clients could experience a monetary disadvantage in their transaction, the Adviser generally requires employees and their related persons to wait until after all client trades in the security are fully executed or withdrawn before they can make their personal trades.

## **Item 12**

### **BROKERAGE PRACTICES**

#### **A. Selecting Broker-Dealers for Client Transactions**

The Adviser generally has the authority to select a broker-dealer to execute client transactions and to negotiate the rate of commission payable for such services. Our goal is to select a financially responsible broker-dealer that will provide the “best net execution,” which takes into consideration such factors as their ability to obtain “best execution,” the effectiveness of their transaction clearing and settlement, the degree to which the broker-dealer has been available and responsive to the Firm in the past, the quality and promptness of the research and brokerage services provided (both in general and with respect to particular accounts), whether the investment in question was brought to our attention by the particular broker-dealer, and the reasonableness of the broker-dealer's compensation in relation to the foregoing. This may not be the lowest commission, but it should be generally competitive with prevailing rates.

The Adviser’s discretionary authority with respect to investment activities and brokerage placement decisions is sometimes limited by clients and therefore we may be unable to negotiate commissions or to obtain best net execution (see subparagraph 3., below). In some cases, federal and state law, including ERISA, may also limit or restrict brokerage placement.

##### **1. Research and Other Soft Dollar Benefits**

The Adviser may use broker-dealers that provide research and brokerage services to it, in accordance with Section 28(e) of the Securities Exchange Act of 1934 (“soft dollar services”). Broker-dealers do not currently charge the Adviser a separate fee for soft dollar services, instead they often require that we direct a particular level of client transactions to them. We benefit from this type of arrangement, since we do not have to produce this supplementary research or pay for this research or the offered brokerage services.

The Firm’s use of soft dollar services gives the Adviser an incentive to select a broker-dealer for client transactions based on our interest in receiving the research or brokerage services, rather than on our clients’ interest in receiving most favorable execution. In addition, our use of soft dollar services may cause

clients to pay commissions higher than those charged by other broker-dealers in return for soft dollar benefits. To address these issues, in all cases, we make a good-faith determination that the commission paid is reasonable in relation to the value of the research and brokerage services provided.

We use research and brokerage services furnished by broker-dealers for the benefit of all client accounts, not necessarily just for the account from which the commissions were generated. We use our best efforts to make certain that the specific group of accounts that receives the benefits of broker-provided research will also pay the related brokerage commissions.

During 2017, we have received the following types of soft dollar services:

- reports on economic and political developments;
- portfolio strategy;
- industry and company information and opinions, and stock and bond market conditions, including market prices, news and trading information;
- economic projections;
- recommended asset allocation and portfolio structure information; and
- analyst and specialist meetings.

During 2017, we have met periodically to review the value of soft dollar services we receive from certain broker-dealers and the client trade execution they provide, to determine if we would continue to use those broker-dealers.

## 2. Brokerage for Client Referrals

This subsection is not applicable because we do not consider the receipt of client referrals when selecting a broker-dealer.

## 3. Directed Brokerage/Aggregated Orders

Certain clients with separately managed accounts may direct the Adviser to use a particular broker-dealer because they have made an arrangement to pay a separate fee to that broker-dealer instead of paying commissions on specific trades. In those cases, we may be unable to negotiate commissions or to obtain best net execution.

We generally aggregate, for block execution, multiple orders for the purchase or sale of the same security on behalf of clients, so long as we have reached a good-faith determination that the clients participating in the block trade will benefit

from aggregation, aggregation is consistent with our duty to seek best net execution for clients, and such aggregation is consistent with the terms of the investment advisory agreement with each client for which a trade is being executed.

**Item 13**

**REVIEW OF ACCOUNTS**

The Adviser's portfolio managers review client accounts on an ongoing basis. In addition, client inquiries, changes in the prospects of portfolio investments and changes in the general market outlook may prompt particular reviews of client accounts.

Quarterly, we send our clients a detailed written analysis of market and economic conditions and of certain purchases and sales made in their portfolio during the prior quarter, as well as the performance of their portfolio and a listing of their portfolio holdings at quarter-end.

**Item 14**

**CLIENT REFERRALS AND OTHER COMPENSATION**

The Adviser entered into a solicitation agreement in early 2013 with an unaffiliated investment advisory firm pursuant to which that firm will identify and refer potential investors to the Adviser. If the potential investor becomes a client of the Adviser within a twelve-month period, we will pay the other firm twenty-five percent of the quarterly management fee earned and will make such written disclosures to the client as required by Rule 206(4)-3 under the Investment Advisers Act of 1940.

The Adviser does not receive an economic benefit from anyone other than a client for providing investment advice to our clients.

**Item 15**

**CUSTODY**

This item is not applicable because we do not have custody of the assets of our clients.

**Item 16**

**INVESTMENT DISCRETION**

The Adviser has discretionary authority to manage securities accounts on behalf of clients. Our discretionary authority may be limited by the client's objectives and guidelines. In some cases, federal and state law, including ERISA, may also limit or restrict investment type selection. Before accepting discretionary authority to manage a client's separately managed account, the client signs an investment advisory agreement, including a limited power of attorney, in which the client confers this authority on the Adviser.



**Item 17**

**VOTING CLIENT SECURITIES**

The Adviser generally accepts authority to vote client securities. The Firm has adopted written policies and procedures regarding the exercise of this authority, which are designed to ensure that we vote proxies in a manner that is in the best interests of our client, including procedures to identify and address any potential conflicts of interest that the Firm may have with respect to the voting of a particular proxy.

We address any conflicts of interest between us and our clients with respect to voting their securities by determining which of four enumerated actions the Adviser will take: (1) vote the proxy in the manner the designated voter in such a situation believes is in the client's best interest as if no conflict had been identified; (2) vote the proxy in a manner that is recommended by an independent third party; (3) promptly contact the client in writing to describe the conflict and vote the proxy in accordance with the client's instructions; or (4) in extraordinary circumstances, abstain from voting the proxy.

Clients can direct how we vote in a particular solicitation by communicating their instructions to us. They can also obtain information from us about how we voted their securities and can request a copy of our proxy voting policies and procedures. For all three of these purposes, please contact Mr. Michael Pietzak at (212) 218-5322.

**Item 18**

**FINANCIAL INFORMATION**

A. Balance Sheet

This item is not applicable because the Adviser does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

B. Financial Condition

The Adviser has no financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

C. Bankruptcy

This item is not applicable because the Adviser has never been the subject of a bankruptcy petition.