

Item 1: Cover Page



GRAY & COMPANY

PART 2A OF FORM ADV: FIRM BROCHURE

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This brochure provides information about the qualifications and business practices of Gray Financial Group Inc., a Georgia corporation doing business as Gray & Co., Gray & Company, and GrayCo Global Advisors (“Gray & Company” or the “Firm”). If you have any questions about the contents of this brochure, please contact Marc Hardy, Gray & Company’s Chief Compliance Officer, at (404) 883-2527 and/or Marc.Hardy@egrayco.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 Gray & Company also is available on the SEC’s website at www.adviserinfo.sec.gov.

Gray & Company is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Item 2: Material Changes

There are no material changes since the last update to the brochure dated August 29, 2013.

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Item 4: Advisory Business

Gray Financial Group, Inc. is a corporation organized under the laws of the state of Georgia in 2004. Gray Financial Group, Inc. is an SEC registered investment advisory firm doing business under the names of Gray & Co, Gray & Company and GrayCo Global Advisors (“**Gray & Company**” or the “**Firm**”), with its principal place of business located in Atlanta, Georgia. Laurence O. Gray is the founder and principal of Gray & Company.

As of January 1, 2014, Gray & Company has approximately \$903,869,995 in regulatory assets which are managed on a discretionary basis. Gray & Company also provides consulting services, on a non-discretionary basis, to defined contribution and defined benefit pension plans, totaling approximately \$9,965,632,053 in plan assets. A more detailed description of Gray & Company’s services is set forth below.

Consulting Services (Non-Discretionary Management)

Gray & Company operates as a consultant to defined benefit and/or contribution retirement plans, as well as various boards of trustees and investment committees that manage pension funds, endowments, private foundations, corporations, Taft-Hartley Plans, and Trusts.

As a consultant Gray & Company does not provide any investment management services on a discretionary basis. Gray & Company presents all investment recommendations to the clients’ board, trustees or directors. Implementation of any and all of Gray & Company’s recommendations is at the sole discretion of the clients’ board, trustees or directors.

As a consultant Gray & Company provides services on a nondiscretionary basis, which may include, but are not limited to, the following:

- Evaluation of the client’s current investment policy guidelines to determine if they are realistic;
- Assisting boards with the preparation, monitoring and annual review of a “Statement of Investment Policy and Objectives” that integrates the client’s attitudes, objectives and requirements expressed in terms of return expectations and risk tolerance;
- Search, due diligence and presentation of investment advisers, money managers and custodian banks whose philosophy and performance results meet the criteria set forth in the policy guidelines on both an initial and ongoing basis;
- Assistance with vendor search process, which includes request for proposal (“**RFP**”) creation, RFP response consolidation and assistance in finalist selection;
- Delegation of the responsibilities held by the board of trustees or the investment committee of the client among Gray & Company, the client’s investment managers and the client’s trustees and custodian;
- Monitor the investment performance on a quarterly basis and provide a performance analysis report that examines the investment results versus the client’s objectives, the market averages and other investment advisor performance;

- Review the monthly custodian statements for the Clients in order to analyze portfolio attributes, comparative characteristics, style, peer group/universal analysis and performance comparisons; and
- Conduct trustee education seminars, as well as attend client and board meetings.

Gray & Company, on a non-discretionary basis, may recommend that qualified clients consider allocating a portion of their investment assets to the Affiliated Funds (as defined below). The Firm's consulting clients are under absolutely no obligation to either consider or make an investment in any of the Affiliated Funds.

Manager of Managers Services

Gray & Company also provides Manager of Managers services on a discretionary basis. As a Manager of Managers, Gray & Company provides institutional clients with investment objective setting, money management, asset allocation services and performance evaluation. Gray & Company prepares reports relevant to the investment portfolios of each client. Gray & Company carefully selects third party managers through an extensive due diligence process based on both quantitative and qualitative appraisal, including fundamental evaluation of each manager's investment philosophy and process. Third-party managers are contracted and paid by Gray & Company.

Outsourced CIO Program Services

In addition Gray & Company offers an Outsourced Chief Investment Officer ("CIO") Program for institutional-sized accounts. The Outsourced CIO Program clients' portfolios are managed on a discretionary basis in accordance with their investment objectives. Gray & Company may allocate the assets within the portfolio among various securities, mutual funds, ETF's, or other investment managers. In the event a client chooses to exercise discretion over a portion of the assets, those assets may be segregated from the portfolio for reporting purposes.

As an Outsourced CIO, Gray & Company acts as an extension of an organization's remaining staff or as a partner to an organization's management team to provide investment research and management. Through the Outsourced CIO Program, Gray & Company can offer the expertise of its experienced investment staff with resources available for investment analysis and manager selection and due diligence. Services and benefits offered through this program include, but are not limited to:

- Investment management;
- Manager search, selection and review;
- Tactical asset allocation;
- Performance reporting;
- Investment transparency;
- Account statements;
- Investment policy statement;
- Open ended agreement;
- Extension of investment staff;

- Extension of benefits administration staff for benefit planning and benefit payments;
- Annual portfolio review; and
- Reduction of costs.

In managing an investment portfolio under the Outsourced CIO Program, Gray & Company considers the specific financial situation, risk tolerance, investment horizon, liquidity needs, tax considerations, investment objectives and any other issues important to the client's state of affairs. Gray & Company should be notified promptly if there are any changes in a client's financial situation or investment.

Direct Investment Managed Account Services

Gray & Company provides direct investment advisory services on a discretionary basis to individuals, trusts, businesses and pension and profit-sharing plans pursuant to the terms and conditions of the client's advisory agreement.

Affiliated Fund Advisory Services

Gray & Company is affiliated with several private investment funds (together, the "**Affiliated Funds**" and individually the "**Affiliated Fund**"). These Affiliated Funds operate as "fund of funds." A description of the investment objective for each of the Affiliated Funds, together with a corresponding discussion of the terms and conditions for investment therein, including, but not limited to, risk factors and fees (including management fees and incentive compensation), is set forth in each of the Affiliated Funds respective offering documents.

In providing discretionary services to the Affiliated Funds, Gray & Company formulates each Affiliated Fund's investment objectives, directs and manages the investment of each Affiliated Funds' assets and provides reports to investors. Investment advice is provided directly to the Affiliated Funds and not individually to the limited partners or members of the Affiliated Funds. The investors in the Affiliated Funds have no opportunity to select or evaluate any Affiliated Fund investments or strategies. The investment strategies deployed on behalf of the Affiliated Funds are not tailored to the needs of individual Affiliated Fund Investors. Any client-specific investment guidelines and restrictions are set forth in the confidential offering documents and governing documents of the Affiliated Fund.

Shares or limited partnership interests in the Affiliated Funds are not registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and the Affiliated Funds are not registered under the Investment Company Act of 1940, as amended (the "**Company Act**"). Accordingly, interests in the Affiliated Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements, either in private transactions within the United States or in offshore transactions, and are not offered to the public.

Gray & Company may recommend on a non-discretionary basis that qualified clients consider investing in the Affiliated Funds if the Affiliated Funds are deemed suitable for the client.

Other Services

In certain circumstances Gray & Company may provide financial advisory services in connection with special circumstances including, but not limited to, risk assessments, litigation, mergers, corporate divestitures and other areas that impact financial assets and investments.

Please see Item 8 “Methods of Analysis, Investment Strategies, and Risk of Loss” below for more information.

Item 5: Fees and Compensation

Consulting Services

Typically, Gray & Company offers its Consulting Services on a fee-only basis. The Firm’s fees for consulting services are charged monthly or quarterly and are chosen and/or negotiated by the Firm and the client at the time the agreement is executed, in arrears. Gray & Company’s fee is calculated based upon the market value of the assets in the client account on the last day of the previous month or quarter in which services were provided. Gray & Company also has fixed fee arrangements with certain of its clients.

Gray & Company’s fee schedule for Consulting Services is typically as follows:

<u>Gray & Company General Consulting Services</u>	
Assets under Management	Advisory Fee ¹
Up to \$200,000,000	0.15% (15 basis points)
\$200,000,001 to \$400,000,000	0.10% (10 basis points)
\$400,000,001 to \$700,000,000	0.07% (7 basis points)
Over \$700,000,00	0.05% (5 basis points)
The minimum annual fee for Gray & Company’s general consulting services is \$35,000 per year.	

¹All fees are negotiable. Such negotiations may be based upon account size, scope and complexity of services, prior relationships and related account holdings. Fees may be higher if the portfolio includes alternative asset investments.

Manager of Managers Services

Gray & Company offers its Manager of Managers services on a fee-only basis. Gray & Company’s fees for Manager of Managers services are charged monthly or quarterly and are chosen and/or negotiated by the Firm and the client at the time the agreement is executed, in arrears. Gray & Company’s fee is calculated based upon the market value of the assets in the client account on the last day of the previous month or quarter in which services were provided.

Gray & Company’s fee schedule for Manager of Managers services is typically as follows:

<u>Gray & Company Manager of Managers Services</u>	
Assets under Management	Advisory Fee ²
Up to \$50,000,000	1.20% (120 basis points)
\$50,000,001 to \$100,000,000	1.05% (105 basis points)
\$100,000,001 to \$200,000,000	0.90% (90 basis points)
\$200,000,001 to \$400,000,000	0.75% (75 basis points)
\$400,000,001 to \$700,000,000	0.60% (60 basis points)
Over \$700,000,00	0.45% (45 basis points)

²All fees are negotiable. Such negotiations may be based upon account size, scope and complexity of services, prior relationships and related account holdings.

Outsourced CIO Program

Gray & Company also offers its Outsourced CIO Program on a fee-only basis. Gray & Company's fee for participation in its Outsourced CIO Program is charged monthly or quarterly and is chosen and/or negotiated by the Firm and the client at the time the agreement is executed, in arrears. Gray & Company's fee is calculated based upon the market value of the assets in the client account on the last day of the previous month or quarter in which the services were provided.

Gray & Company's fee schedule for Outsourced CIO Program is typically as follows:

<u>Gray & Company Outsourced CIO Program</u>	
Assets under Management	Advisory Fee ³
Up to \$50,000,000	1.95% (195 basis points)
\$50,000,001 to \$100,000,000	1.85% (185 basis points)
Over \$100,000,00	1.75% (175 basis points)

³All fees are negotiable. Such negotiations may be based upon account size, scope and complexity of services, prior relationships and related account holdings.

Direct Investment Managed Account Services

Gray & Company is generally entitled to an asset-based management fee based on the portfolio value and, for some clients, a performance-based fee. Depending on the terms of the Firm's advisory agreement with the client, the fees for the client are deducted from the assets of the account upon Gray & Company's instruction to its custodian. The details of how the fees are calculated and paid for by the client can be found in the Firm's advisory agreement with the client.

Each client will generally be responsible for all expenses incurred in connection with the transactions effected or positions held on behalf of such managed account client pursuant to its separate investment advisory agreement with Gray & Company. Such expenses include, without limitation, custodial fees, bank service fees, brokerage commissions, clearing and settlement fees, interest and withholding or transfer taxes incorrect in connection with trading for the managed account and Gray & Company's fee described above.

Affiliated Fund Advisory Services

Gray & Company offers its private fund advisory services in exchange for a management fee and may charge a performance fee, as described in more detail under Item 6 “Performance Based Fees and Side-By-Side Management” below. Gray & Company’s fee for private fund advisory services is charged quarterly, in advance. Gray & Company’s fee is calculated during the month following the end of a month or calendar quarter.

A description of the fees (including management fees and performance-based compensation) related to an investment in each Affiliated Fund is set forth in each of the Affiliated Funds’ respective offering documents. Gray & Company and its affiliates reserve the right to waive or reduce management fees for certain investors in Affiliated Funds at Gray & Company’s sole discretion.

The Affiliated Funds pay or reimburse Gray & Company for all operating expenses and other costs of the Affiliated Fund that Gray & Company is not required to bear (subject to limited exceptions detailed in the governing documents of the Affiliated Funds), including, but not limited to, investment-related expenses (e.g., brokerage commissions, clearing and settlement charges, custodial fees, consulting and research expenses, interest expenses, expenses relating to consultants, attorneys, brokers or other professionals or advisers who provide research, advice, proxy voting services or due diligence services with regard to investments, research-related expenses, appraisal fees and expenses and investment banking expenses), legal expenses, accounting, audit, tax preparation and other tax related expenses, entity level taxes, expenses relating to obtaining insurance for GrayCo Investment Management, LLC and GrayCo. Investment Management II, LLC, the general partners of the Affiliated Funds and its directors and officers, organizational and offering expenses, Gray & Company’s management fee, administration fees and related costs and extraordinary expenses and other similar expenses related to the Affiliated Funds.

General Information Regarding Fees For All Discretionary Services

As Gray & Company considers appropriate, the Firm may recommend investing a portion of a client’s assets in one or more money market funds, mutual funds or exchange-traded funds. When any such investments are made, clients will be paying, in addition to the compensation payable to Gray & Company, their proportionate share of any management fees charged by the manager of such money market fund, mutual fund or exchange-traded fund.

Clients may authorize Gray & Company to have the custodian pay Gray & Company directly by charging their account. This authorization must be provided in writing. In the event such authorization is provided in writing, one-twelfth or one-fourth of the annual fee, as applicable, is charged in the month following the end of the month or each calendar quarter, as applicable, in arrears. If a client does not authorize the custodian to pay Gray & Company by directly charging the client’s account, the client will be billed one-twelfth or one-fourth of the annual fee, as applicable, in the month following the end of the month or calendar quarter, as applicable, in arrears.

The client's custodian provides the client with statements that show the amount paid directly to Gray & Company. Each client should verify the calculation of Gray & Company's fees. If the client does not authorize its custodian to deduct the fee directly from its account, Gray & Company will send said client an invoice. The fee is calculated in the same manner, and the clients are responsible for sending payment to Gray & Company.

Should either the client or the Firm terminate the advisory agreement before the end of a billing period, any unpaid fees for services received by the client become immediately due and payable. The amount owed by the client is calculated by dividing the advisory fee due for the month or quarter by the total number of days in the month or quarter. This daily fee is then multiplied by the number of calendar days in the month or quarter that the agreement was in effect. This amount, which equals the amount Gray & Company earned for the partial month or quarter, is the client's fee.

In addition to Gray & Company's fee, clients may be required to pay other charges by their custodian/broker-dealer such as:

- custodial fees,
- brokerage commissions,
- transaction fees,
- SEC fees,
- internal fees and expenses charged by mutual funds or exchange traded funds ("ETFs"), and
- other fees and taxes on brokerage accounts and securities transactions.

None of these fees are paid to or are shared with Gray & Company. Gray & Company will explain the specific costs associated with any recommended investments with each client upon request. Gray & Company also recommends no-load and load-waived mutual funds to further reduce conflicts of interest.

Please be sure to read Item 12 "Brokerage Practices" below.

For avoidance of doubt, clients have the option to purchase investment products that Gray & Company recommends through other brokers or agents that are not affiliated with Gray & Company.

Please Further Note: Valuation. In the event that Gray & Company references private investment funds owned by the Firm (including the Affiliated Funds) on any supplemental account reports prepared by Gray & Company, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided to the fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be significantly more or less than the original purchase price.

Item 6: Performance-Based Fees and Side-by-Side Management

Performance-based fees are designed to give a portion of the returns of an investment to the investment adviser as a reward for positive performance. The fee is generally a percentage of the profits made on the investments. Clients should be aware that performance-based compensation may create an incentive for Gray & Company to make investments that are riskier or more speculative than would be the case in the absence of such an arrangement. In addition, Gray & Company may receive increased compensation with regard to unrealized appreciation as well as realized gains in a client's account, and as a result, the performance-based fee earned could be based on unrealized gains that the clients may never realize. While Gray & Company earns performance fees from Affiliated Funds, Gray & Company does not earn performance fees for its consulting services.

Because Gray & Company can earn compensation from the Affiliated Funds (both management fees and performance compensation) that will exceed the fee that Gray & Company would earn under the Firm's standard asset based fee schedule referenced above, the recommendation that a client become an Affiliated Fund investor presents a material conflict of interest. Additionally, other conflicts of interest may arise, including that Gray & Company may have an incentive to favor accounts that are subject to performance-based compensation over those that are not. No client is under any obligation to become an Affiliated Fund investor. Moreover, clients are free and encouraged to seek advice regarding any of the Affiliated Funds from other professionals of their choosing, including legal counsel. Gray & Company's Chief Compliance Officer, Marc Hardy, remains available to address any questions regarding this conflict of interest.

It is Gray & Company's policy to allocate investment opportunities among all clients on a fair and equitable basis over time. Gray & Company has adopted a trade allocation policy that the Firm believes will realize that objective and mitigate the conflicts of interests discussed above. By utilizing these procedures, Gray & Company believes that the accounts that are subject to side-by-side management will receive fair and equitable treatment over time. Furthermore, Gray & Company has implemented policies and procedures to address trade allocation decisions, order aggregation decisions and brokerage allocation decisions, which are discussed more fully under Item 11 "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading" and Item 12 "Brokerage Practices," and seeks to ensure fair and equitable treatment of all clients over time.

Item 7: Types of Clients

Gray & Company provides consulting advisory services primarily to pension and profit sharing plans, state or municipal government entities, endowments, private foundations, corporations, Taft-Hartley Plans and Trusts. Private fund advisory services are provided to the Affiliated Funds. There are no minimum requirements for opening or maintaining an account. All potential clients are reviewed on a case-by-case basis.

Manager of Managers, Outsourced CIO Program, and Direct Investment Managed Account clients may include, but are not limited to, pension plans (corporate, state and foreign), sovereign wealth funds, endowments, foundations, banks, trusts, estates or charitable organizations, and corporate or business entities. There is no minimum account maintenance requirement for such accounts.

Gray & Company also provides discretionary management and advisory services to Affiliated Funds directly, subject to the direction and control of the general partner of the Affiliated Fund, and not individually to the limited partners of such Affiliated Fund. Investors in the Affiliated Funds may include, but are not limited to, high net worth individuals, pension plans (corporate, state and foreign), sovereign wealth funds, endowments, foundations, banks, pooled investment vehicles (e.g., funds-of-funds), trusts, estates or charitable organizations and corporate or business entities.

All of Gray & Company's clients and Affiliated Fund investors that compensate the Firm based on performance must be "qualified clients" as defined in Rule 205-3 under the Investment Advisers Act of 1940, as amended, or be grandfathered pursuant to SEC rulemaking.

The minimum investment for a limited partner in each Affiliated Fund is outlined in the Affiliated Fund's governing documents; however, Gray & Company maintains discretion to accept less than the minimum investment threshold. Investors will be required to meet certain suitability qualifications, such as being an "accredited investor" within the meaning set forth in Rule 501(a) of Regulation D of the Securities Act and a "qualified purchaser" as defined in Section 2(a)(51)(A) of the Company Act and meet other criteria established by the general partner of the Affiliated Fund. Also, investors in the Affiliated Funds will be required to make certain representations when investing in an Affiliated Fund, including, but not limited to, representations that: (i) they are acquiring the interest for their own account, (ii) they received or had access to information they deem relevant to evaluate the merits and risks of the prospective investment and (iii) they have the ability to bear the economic risk of an investment in the Affiliated Fund. Details concerning applicable investor suitability criteria are set forth in the respective governing documents and subscription materials, which are furnished to each investor in an Affiliated Fund.

The Affiliated Funds may enter into separate agreements, commonly referred to as "side letters," or other similar agreements with a particular limited partner in connection with its admission to the Affiliated Fund without the approval of any other limited partner in such Affiliated Fund, which would have the effect of establishing rights under or supplementing the terms of the applicable Affiliated Fund's Partnership Agreement with respect to such limited partner in a manner possibly more favorable to such limited partner than those applicable to other limited partners. Such rights or terms in such side letter or other similar agreement may include, without limitation: (i) reporting obligations, (ii) waiver of certain confidentiality obligations, (iii) "most-favored nation" provisions or (iv) rights or terms requested or necessary in light of particular investment, legal, regulatory or public policy characteristics of a limited partner.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

Gray & Company's client investment accounts are subject to the methods of analysis described in the offering documents of the underlying funds in which such clients are invested. Please see such funds' offering documents for further information.

Fundamental – Gray & Company selects specific investments for client portfolios through the use of fundamental analysis. Fundamental analysis is a method of evaluating a company that has issued a security by attempting to measure the value of its underlying assets. It entails studying overall economic and industry conditions, as well as the financial condition and the quality of the company's management. Earnings, expenses, assets, and liabilities are all important in determining the value of a company. The value is then compared to the current price of the issuing company's security to determine whether to purchase, sell or hold the security.

Although Gray & Company manages client portfolios in a manner consistent with individual risk tolerances, there can be no guarantee that Gray & Company's efforts will be successful. Clients should be prepared to bear the risk of loss of their entire investment.

Gray & Company's investment strategies may include long-term and short-term purchases and sales and the use of options and margin. Clients may place reasonable restrictions on the strategies to be employed in their portfolio and the types of investments to be held in their portfolio.

Risks

Investing in securities and other instruments involves risk of loss that clients, including recipients of Gray & Company's Consulting Services, Manager of Managers Services, Outsourced CIO Program, Direct Investment Managed Account Services, Affiliated Fund Advisory Services and Affiliated Fund investors, should be prepared to bear. Gray & Company's management style is not intended as a complete investment program and may not be suitable for all investors. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of such an investment. No guarantee or representation is made that any client account will achieve its investment objectives.

The following is a brief summary of certain of the more significant risks associated with Gray & Company's investment strategies and recommendations. With respect to investments in the Affiliated Funds, a more detailed description of the risks associated with Gray & Company's investment strategies, as well as other risks associated with an investment in each Affiliated Fund is included in that particular Affiliated Fund's offering memorandum. Please see the offering memorandum of each Affiliated Fund, including "Investment Risk Factors" and "Potential Conflicts of Interest," for specific information regarding the principal risks applicable to each Affiliated Fund.

General – Gray & Company’s investment strategies are speculative and entail a significant degree of risk and therefore, should be undertaken only by investors capable of evaluating the merits and risks of the investment strategies and bearing the risks they represent, including the potential loss of their entire investment. There can be no assurance that Gray & Company will be able to achieve the investment objectives or that significant losses will not be incurred.

Other Funds – Gray & Company may invest in unaffiliated funds (including, but not limited to, U.S. or offshore unit investment trusts, open-end and closed-end mutual funds and hedge funds, private equity funds, venture capital funds, advisory accounts, real estate investment trusts, ETFs or other private alternative or other investment funds, regardless of whether any of the foregoing investment vehicles are affiliated with Gray & Company) (collectively, “**Other Funds and Managers**”). These Other Funds and Managers will charge their own management and other fees, so that if Gray & Company invests in them, clients will bear an additional level of fees and expenses. Gray & Company does not receive fees from these funds. Also, U.S. mutual funds generally must distribute all gains to investors, including investors who may not have an economic gain from investing in the fund, which can lead to negative tax effects on investors, particularly non-U.S. persons. Gray & Company may also invest in exchange traded funds, unit investment trusts or other similar vehicles designed to track the performance of a specific index or sector. These Other Funds and Managers may have unique risks of loss as described in their offering documents.

Equity Risk – Investments in equity securities generally involve a high degree of risk. Prices are volatile and market movements are difficult to predict. These price movements may result from factors affecting individual companies or industries. Price changes may be temporary or last for extended periods. In addition to, or in spite of, the impact of movements in the overall stock market, the value of investments may decline if the particular investments within the portfolio do not perform well in the market. Prices of growth stocks may be more sensitive to changes in current or expected earnings than prices of other stocks. Prices of stocks may fall or fail to appreciate regardless of movements in securities markets. Generally, Gray & Company will seek to avoid exposure to initial public offerings, although that result cannot be guaranteed. Such investments may pose significant risks or prospects for significant returns.

Fixed Income Risks – Investments in fixed income securities represent numerous risks, such as credit, interest rate, reinvestment and prepayment risk, all of which affect their price (i.e., value). These risks represent the potential for a large amount of price volatility. In general, securities with longer maturities are more sensitive to price changes. Additionally, the prices of high yield, fixed-income securities fluctuate more than high quality debt issues. Prices are especially sensitive to developments affecting the company’s business and to changes in the ratings assigned by rating agencies. Prices are often closely linked with the company’s stock prices. High yield securities can experience sudden and sharp price swings due to changes in economic conditions, stock market activity, large sales by major investors, default or other factors. Developments in the credit market may have a substantial impact on the companies Gray & Company may invest in and will affect the success of such investments. In the event of a default, the investment may suffer a partial or total loss.

Potential Concentration – Client portfolios may have highly concentrated positions in issuers engaged in one or a few industries. This increases the risk of loss relative to the market as a whole.

Small Capitalization Companies – A substantial portion of assets may be invested in smaller and less established companies. Both debt and equity securities of such issuers tend to be more volatile than larger, more established companies. Such volatility could adversely impact client portfolios.

Large Company Risk – Large cap stocks can perform differently from other segments of the equity market as a whole. Large capitalization companies may be less flexible in evolving markets or unable to implement change as quickly as smaller capitalization companies.

Non-U.S. Investments – Gray & Company may invest client funds in securities (debt, equity, currencies, derivatives, etc.) domiciled outside the United States. Such investments expose the portfolio to a number of risks that may not exist in the domestic market alone. Such risks include, among other things, trade balances and imbalances and related economic policies, currency exchange rate fluctuations, imposition of exchange control regulation, withholding taxes, limitations on the removal of funds or other assets, possible nationalization of assets or industries, political difficulties and political instability in foreign nations.

Use of Margin and Options – In some instances Gray & Company may recommend the use of margin accounts and options. Be aware that the use of margin and options are higher risk strategies. It is possible to lose all of the principal a client invests and sometimes more. In a cash account, a client's risk is limited to the amount of money that they have invested. In a margin account, a client's risk includes the amount of money invested, plus the amount that has been loaned to the client.

Short Selling – Short selling involves selling securities which are not owned and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. A short sale creates the risk of a theoretically unlimited loss in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the clients of buying those securities to cover the short position. There can be no assurance that Gray & Company will be able to maintain the ability to borrow securities sold short. In such cases the clients can be “bought in” (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position are available for purchase at or near prices quoted in the market. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Counterparty Risk – Clients are also exposed to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract or because of a credit or liquidity problem, thus causing the client to suffer a loss. Such “counterparty risk” is accentuated where client accounts have concentrated transactions with a single counterparty or small group of counterparties. The lack of a complete and “foolproof” way

to evaluate the financial capabilities of the clients' counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by clients.

Risk may also arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, such that a default by one institution causes a series of defaults by other institutions. This is sometimes referred to as systemic risk. Systemic risk may adversely affect financial intermediaries, such as clearinghouses, banks, securities firms and exchanges.

Conflicts of Interest – Potential conflicts of interest may arise with Gray & Company, on the one hand, and Gray & Company's clients on the other. Gray & Company may advise several clients and manage several Affiliated Funds and separately managed accounts with objectives that are similar or overlapping. In addition, Gray & Company may in the future manage or sponsor other investment funds or investment vehicles or advise other clients with objectives that may differ from the current Affiliated Funds and separately managed accounts. Other conflicts of interest may arise with respect to: (i) the compensation paid to Gray & Company by clients, (ii) the allocation of time and resources by Gray & Company and its employees among clients, Affiliated Funds, the separately managed accounts and to other business, (iii) the allocation of investment opportunities among clients, Affiliated Funds and separately managed accounts and (iv) valuation of assets.

Affiliated Fund Risks

No Registration – The Affiliated Funds are not registered under the Company Act and do not intend to register their respective limited partnership interest under the Securities Act or any other U.S. federal or state securities laws. The Company Act provides certain protections to investors in the Affiliated Funds and imposes certain restrictions on registered investment companies, which will not be applicable to the Affiliated Funds. Additionally, offers and sales of interests in the Affiliated Funds have not been and will not be registered under the laws of any jurisdiction outside of the United States. Neither the securities commission of any non-United States jurisdiction, nor any other agency, has reviewed or passed upon the merits of this offering.

Lack of Liquidity of the Assets of Underlying Funds – The assets of the funds in which the Affiliated Funds invest may, at any given time, include securities and other financial instruments or obligations which are very thinly traded or for which no market exists or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts. Further, such investments may be extremely difficult to value with any degree of certainty.

Multiple Fees and Expenses – Limited partners of Affiliated Funds will pay certain fees (e.g., the management fee to the manager) and expenses (including organizational and operating expenses) of the Affiliated Fund and will indirectly bear the fees e.g., management fees to the sponsors of underlying funds) and expenses (including organizational and operating expenses) of the underlying funds in which the Affiliated Funds invest. This will result in greater expense and less potential for return on investment than if such fees were not charged or such expenses incurred. Similarly, limited partners in Affiliated Funds may pay carried interest to the general

partner in connection with an underlying fund's investments and may pay carried interest to a sponsor of an underlying fund. It is possible that the limited partners will pay a carried interest to the general partner in connection with an investment of an underlying fund even though the sponsor of such underlying fund did not receive a carried interest from such investment.

No Return for a Period of Years – Even if the Affiliated Funds' investments prove successful, they may not produce a realized return to partners for a period of years.

Non-Controlling Investments – The Affiliated Funds will generally hold non-controlling interests in the underlying funds, underlying investments and targeted investments and therefore, will have limited ability to protect their positions in such investments except by means of the various applicable limited rights provided to limited partners and investors therein.

No Transferability or Withdrawal – Limited partners in Affiliated Funds may not sell, transfer, exchange, assign, pledge, hypothecate or otherwise dispose of their limited partnership interests (or any portion thereof) without the consent of the general partner of the Affiliated Fund. Moreover, limited partners in Affiliated Funds may not voluntarily withdraw from Affiliated Funds.

Loss of Capital – The Affiliated Funds are intended for long-term investors who can accept the risks associated with investing primarily in illiquid securities, such as the underlying funds. There can be no assurance that an Affiliated Fund will achieve its investment objective. The possibility of partial or total loss of Affiliated Fund capital will exist, and prospective investors should not subscribe unless they can readily bear the consequences of such loss.

Modification of Terms – An Affiliated Fund and/or Gray & Company may, from time to time, each in its sole discretion, enter into agreements concerning a particular investor's investment in the Affiliated Fund, including the terms related to such investment. The Affiliated Funds and Gray & Company are generally not required to disclose the existence or terms of any such agreements to any other investor or to offer the terms of any such agreements to any other investor. Any investor that is a party to such agreement may have rights that are preferential in some respect to other investors. In addition, each Affiliated Fund, and in certain cases Gray & Company, will have the discretion to waive or modify the application of certain provisions of such Affiliated Fund's governing documents. These agreements may, in some respects, be beneficial only to the investors entering into them, including with respect to liquidity rights. Please see the applicable Affiliated Fund's offering memorandum for additional information regarding these agreements.

Legal, Regulatory and Tax Risk – Legal, regulatory and tax developments that may adversely affect clients could occur at any time. Securities and futures markets are subject to comprehensive statutes, regulations and margin requirements enforced by the SEC, other regulators and self-regulatory organizations and exchanges authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions.

There has been an increase in government, as well as self-regulatory, scrutiny of the alternative investment industry in general, and Gray & Company's activities may be subject to new or additional regulatory constraints in the future. The regulatory environment for private funds is evolving, and changes in the regulation of private funds and their trading activities may adversely affect Gray & Company's ability to pursue its investment strategies.

Affiliated Fund Structure Risk – There are certain risks associated with the structure and terms of the Affiliated Funds. All business and investment decisions on behalf of the Affiliated Funds are made by Gray & Company. The Affiliated Funds' investors will have no authority to make decisions or to exercise business discretion on behalf of the Affiliated Funds. In addition, investors in the Affiliated Funds will not generally receive information relating to the Affiliated Funds' portfolio investments, measurements of risk or values related thereto. Each Affiliated Fund may pursue any of the investment strategies set forth in its respective offering memorandum and may, as it deems appropriate, modify the investment objectives and strategies and may also formulate new approaches to carrying out the overall investment objectives and strategies set forth in such offering memorandum.

An investment in the Affiliated Funds is suitable only for certain sophisticated investors that have no need for immediate liquidity in their investments. Such an investment provides limited liquidity because interests in the Affiliated Funds are not freely transferable, and investors are subject to significant limitations on the right to withdraw capital or redeem shares. Furthermore, a significant withdrawal of capital or redemption of shares from the Affiliated Funds may adversely affect remaining investors.

THE FOREGOING LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE ENUMERATION OR EXPLANATION OF THE RISKS INVOLVED IN GRAY & COMPANY'S METHODS OF ANALYSIS AND INVESTMENT STRATEGIES USED IN FORMULATING INVESTMENT ADVICE OR MANAGING ASSETS.

Item 9: Disciplinary Information

Gray & Company has not been the subject of any disciplinary events that would be material to a client's evaluation of Gray & Company's business or the integrity of its management.

Item 10: Other Financial Industry Activities and Affiliations

In October 2012, Gray & Company acquired 100% of the interests of Tiburon Capital Management, LLC, a Delaware limited liability company and SEC registered investment adviser, ("TCM") by way of Gray & Company's acquisition of 100% of Tiburon Holdings, LLC, which is the holding company of TCM. TCM provides investment advisory and management services to private funds and separately managed accounts. Gray & Company may, in the future, solicit its clients to invest in these funds; however, this is not currently Gray & Company's practice. Please see Tiburon Capital Management, LLC's Form ADV for additional information regarding TCM's business.

Gray & Company also organizes and sponsors Affiliated Funds, which are private investment companies and partnerships. These pooled investment vehicles, managed by Gray & Company, are controlled by affiliated general partner entities. Gray & Company serves as investment adviser to the Affiliated Funds. As such, Gray & Company will be responsible for all decisions regarding portfolio transactions of the Affiliated Funds and will have full discretion over the management of the Affiliated Funds' investment activities.

Gray & Company does not receive compensation, either directly or indirectly, for recommending other advisers to its clients.

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

Gray & Company has adopted a Code of Ethics (“**Code**”) to address the securities-related and professional conduct of its employees, a copy of which will be made available to any client or prospective client upon request. The Code includes the Firm's policies and procedures developed to protect client interests in relation to the following:

- the duty at all times to place client interests ahead of Gray & Company's;
- that all personal securities transactions of Gray & Company's employees be conducted in a manner consistent with the Code and avoid any actual or potential conflict of interest or any abuse of an employee's position of trust and responsibility;
- gifts and entertainment;
- political contributions;
- insider trading;
- employees' not taking inappropriate advantage of their positions;
- confidentiality of information concerning the identity of client security holdings and financial circumstances; and
- independence in the investment decision-making process.

Gray & Company will provide a copy of the Code to a client or any prospective client upon request made by contacting Marc Hardy, Gray & Company's Chief Compliance Officer, at (404) 883-2527 or Marc.Hardy@egrayco.com.

Gray & Company may, from time to time, take a position in a security in which the Firm or one of its related persons, directly or indirectly, has an interest. For instance, it may be expected that the assets of one or more managed accounts will be invested in securities of issuers in which an Affiliated Fund holds positions. In addition, an Affiliated Fund's assets may be invested in securities of issuers in which one or more of the managed accounts hold positions. The Firm's employees are permitted to buy or sell the same securities for their personal and family accounts that are bought or sold for client account(s). The personal securities transactions by employees and the positions that Gray & Company may hold may raise potential conflicts of interest when they trade in a security that is owned by you or considered for purchase or sale for clients. Clients will not be provided with notification of such occurrences.

Notwithstanding the foregoing, Gray & Company, its employees or a related entity will have an investment in each Affiliated Fund. In addition, GrayCo Investment Management, LLC is owned by Laurence O. Gray, as well as other investment professionals working for Gray & Company. GrayCo Investment Management II, LLC is 100% owned by Gray Financial Group, Inc. The general partner may also invest in each Affiliated Fund or make co-investments alongside an Affiliated Fund. Therefore, Gray & Company, its employees or a related entity participate in transactions of the Affiliated Funds.

Gray & Company has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require employees to act in clients' best interest;
- prohibit favoring one client over another; and
- provide for the review of transactions to discover and correct any same-day trades that result in an employee receiving a better price than a client.

Employees must follow Gray & Company's procedures when purchasing or selling the same securities purchased or sold for clients.

Item 12: Brokerage Practices

Consulting Services

Broker-dealers and other financial institutions that hold client accounts are referred to as custodians. A client's custodians determine the values of the assets in a client's portfolio. The custodians Gray & Company uses typically also serve as the client's broker-dealer. When determining the appropriateness of a broker-dealer, Gray & Company will consider a variety of factors, including, but not limited to, the full range and quality of a broker-dealer's services, including execution capability, commission rates, the value of any research and financial responsibility and responsiveness, among other things.

Discretionary Services

For clients of its Outsourced CIO Program, Manager of Managers Services, Direct Investment Managed Account Services and Affiliated Fund Advisory Services, Gray & Company may be granted discretionary authority to select brokers or dealers utilized to effect securities trades. Gray & Company's guiding principal is to seek to obtain the best overall execution for each client on each trade. Gray & Company considers a number of factors, including without limitation, the actual handling of the order, the ability of the broker to settle the trade promptly and accurately, the financial standing of the broker, the ability of the broker to commit capital, Gray & Company's past experience with similar trades and other factors that may be unique to a particular order. In recognition of the value of these judgmental factors, Gray & Company may pay a brokerage commission that is higher than the lower commission that might otherwise be available for any given trade. Gray & Company's recommendation of specific broker-dealers may be based in part on the economic benefit to Gray & Company and not solely on the nature,

cost or quality of custody and brokerage services provided to discretionary or non-discretionary clients. Gray & Company nonetheless strives to act in its client's best interests at all times. This may provide a benefit to Gray & Company since the Firm may not be required to directly produce or pay for such research, product or services provided by the broker. Gray & Company may maintain soft dollar arrangements within Section 28(e) of the Exchange Act and in order to direct payment for research or brokerage services.

Because the amount of its compensation or the products or services Gray & Company receive may vary depending on the broker-dealer Gray & Company recommends to be used by its clients, the Firm may have a conflict of interest in making that recommendation.

Clients may direct Gray & Company in writing to use a particular broker-dealer to execute some or all of the transactions for their account. If clients do so, they are responsible for negotiating the terms and arrangements for the account with that broker-dealer. Gray & Company may not be able to negotiate commissions obtain volume discounts or best execution. In addition, under these circumstances a difference in commission charges may exist between the commissions charged to clients who direct Gray & Company to use a particular broker or dealer and other clients who do not direct Gray & Company to use a particular broker or dealer.

Gray & Company may engage in bunched trading, which is the purchase or sale of a security for the accounts of multiple clients in a single transaction. If a bunched trade is executed, each participating client receives a price that represents the average of the prices at which all of the transactions in a given bunch were executed. Executing a bunched trade allows transaction costs to be shared equally and on a pro-rata basis among all of the participating clients. If the order is not completely filled, the securities purchased or sold are distributed among participating clients on a pro-rata basis or in some other equitable manner.

Bunched trades are placed only when Gray & Company reasonably believes that the combination of the transactions provides better prices for clients than had individual transactions been placed for clients. Transactions for nondiscretionary client accounts are not bunched with transactions for discretionary client accounts. Transactions for the accounts of Gray & Company's employees may be included in bunched trades. They receive the same average price and pay the same commissions and other transaction costs, as clients. Transactions for the accounts of Gray & Company's employees will not be favored over transactions for client accounts.

Gray & Company is not obligated to include any client account in a bunched trade. Bunched trades will not be affected for any client's account if doing so is prohibited or otherwise inconsistent with that client's investment advisory agreement. No client will be favored over any other client.

Item 13: Review of Accounts

All client accounts are monitored on an ongoing basis with a formal review conducted at least quarterly, or as agreed upon with individual clients. The reviews focus on the consistency of portfolio investments with each client's stated objectives and risk tolerances. Reviews also

consider investment restrictions requested by individual clients, investment time horizons, liquidity needs, tax considerations and other circumstances unique to each client.

Typically, client accounts receiving Consulting Services are reviewed by one or more of the following: Senior Consultant or Portfolio Manager. The reviews are typically reported to the Firm's investment committee.

Typically, accounts for the Manager of Managers Services, the Outsourced CIO Program and the Direct Investment Managed Accounts are reviewed at least on a quarterly basis by the Portfolio Manager to monitor each portfolio's compliance with its specific guidelines. The Portfolio Manager is responsible for all reviews. Clients will receive statements from their custodian at least quarterly either in paper form or electronically. These statements identify their current investment holdings, the cost of each of those investments, and their current market values. Clients will also be sent confirmations following each brokerage account transaction unless receipts of confirmation have been waived by the client. The Manager of Managers Services clients and Direct Investment Managed Account will receive quarterly reports that include performance and market commentary. Custom reports may also be created and sent to clients if requested.

Affiliated Fund portfolios are reviewed by the Portfolio Manager on an as needed basis to monitor each Affiliated Fund's compliance with its specific risk parameters, investment objectives and guidelines. Asset allocation, cash management, market prospects and individual issue prospects are considered.

Within 180 days after completion of each fiscal year, Affiliated Fund investors will receive the Affiliated Fund's audited financial statements prepared in accordance with GAAP. The Affiliated Fund will also provide unaudited performance information to investors on a quarterly basis. An Affiliated Fund's third party administrator also reviews the Affiliated Fund's accounts on a regular basis to price the portfolio based on independent third party pricing methodologies approved by Gray & Company.

Item 14: Client Referrals and Other Compensation

Gray & Company receives certain economic benefits as a result of certain relationships with unaffiliated broker-dealers. Those benefits are described in detail in Item 12 "Brokerage Practices."

Gray & Company has entered into agreements to make cash payments to third-party solicitors for client referrals. Under these agreements, the third-party solicitor receives compensation attributable to the client solicited and referred by the third-party solicitor, provided that each solicitor has entered into a written agreement with Gray & Company pursuant to which the solicitor will provide each prospective client with a copy of Gray & Company's Form ADV Part 2, and a disclosure document setting forth the terms of the solicitation arrangement, including the nature of the relationship between the solicitor and Gray & Company and any fees to be paid to

the solicitor. As of March 31, 2014, Gray & Company has not made any payments to third-party solicitors for referring clients.

Item 15: Custody

Affiliated Fund's assets are held at a third party brokerage firms or firms meeting the definition of "qualified custodians" under SEC Rule 206(4)-2. Account statements are provided directly to the general partner of the Affiliated Fund. Individual investors in the Affiliated Funds receive reports from Gray & Company described under Item 13 "Review of Accounts" above in this brochure. Gray & Company does not maintain physical custody of the assets of the Affiliated Funds.

For Gray & Company's other clients for which it is deemed to have custody of their funds or securities, they will receive statements from their custodian on at least a quarterly basis. Gray & Company urges clients to carefully review these statements, as they may vary from performance report statements provided by Gray & Company. Clients should verify that the transactions in their account are consistent with their investment goals and the objectives for their account. Gray & Company also encourages clients to contact their contact at Gray & Company or the Firm's Chief Compliance Officer should they have any questions or concerns regarding their account or notice any discrepancy between a report provided by their custodian and a report provided by Gray & Company.

Item 16: Investment Discretion

Gray & Company offers its advisory services for the Outsourced CIO Program, Direct Investment Managed Account Services and its Affiliated Fund Advisory Services on a discretionary basis. This means that Gray & Company does not need advance approval from the client to determine the type and amount of securities to be bought and sold for their accounts. As discussed above in Item 12, with respect to the Firm's advisory services for the Outsourced CIO Program, Gray & Company has the ability to choose the broker-dealer through which transactions will be executed. Additionally, for these types of accounts (other than the Affiliated Fund), Gray & Company does not have the ability to withdraw funds from the account (other than to withdraw the Firm's advisory fees, which may only be done with the client's prior written authorization, as described in more detail under Item 5 "Fees and Compensation" above.) For Gray & Company's Direct Investment Managed Account Services and Fund Advisory Services, the Firm has the ability to choose the broker-dealer through which transactions will be executed, buy and sell securities, and may withdraw funds from the Affiliated Funds' account in certain circumstances, as described in the Affiliated Funds' partnership agreement and offering materials.

This discretion is used in a manner consistent with the stated investment objectives for clients' accounts, or if a client has given Gray & Company written authorization to do so. Gray & Company only exercises discretion in accounts where it has been authorized by its clients. This

authorization is typically included in the client's investment advisory agreement with Gray & Company.

Item 17: Voting Client Securities

For clients of Consulting Services, Gray & Company does not take any action or give any advice with respect to voting of proxies solicited by or with respect to the issuers of securities in which their accounts may be invested. In addition, Gray & Company does not take any action or give any advice with respect to any securities held in any accounts that are named in or subject to class action lawsuits. Gray & Company will, however, forward to clients any information received by the Firm regarding proxies and class action legal matters involving any securities held in their accounts.

For Gray & Company's Outsourced CIO Program and Gray & Company's Manager of Managers Services, the Firm has authority to coordinate with the underlying managers the voting of any securities and generally to exercise proxy authority.

Gray & Company will be responsible for determining how to vote all proxies with respect to the Affiliated Funds. As a "fund of funds" advisor, Gray & Company is rarely, if ever, requested to vote the proxies of traditional operating companies. Rather, from time to time, Gray & Company is requested to vote on behalf of its clients in their capacities as investors in other investment funds. In cases where Gray & Company are voting proxies, the Firm is guided by general fiduciary principals. Gray & Company's goal is to act prudently, solely in the best interest of the Affiliated Funds and their investors. Gray & Company will attempt to consider all factors of its vote that could affect the role of the underlying investment in an Affiliated Fund or the value of the underlying investment. Gray & Company votes Affiliated Fund proxies in the manner it believes is consistent with its efforts to achieve stated objectives, including maximizing portfolio values.

If a material conflict of interest over proxy voting arises between Gray & Company, and an Affiliated Fund, the Firm will convene the investment committee of the Affiliated Fund in order to determine how to vote the proxy in question.

Clients may obtain a copy of Gray & Company's written proxy voting policies upon request or obtain information on how Gray & Company voted a proxy by contacting Marc Hardy, the Firm's Chief Compliance Officer at (404) 883-2527 or Marc.Hardy@egrayco.com.

Item 18: Financial Information

Gray & Company has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and Gray & Company has not been the subject of a bankruptcy proceeding.

Gray & Company does not require or solicit the prepayment of any amount of fees from clients six months or more in advance.

Item 19: Requirements for State Registered Advisers

Not Applicable.