

Part 2A of Form ADV: Firm *Brochure*

Item 1 Cover Page

GRACE & WHITE, INC.
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FIRM BROCHURE
MAY 2014

This Brochure provides information about the qualifications and business practices of Grace & White, Inc. If you have any questions about the contents of this Brochure, please contact us at the above address and phone number. 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.

Grace & White, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information which you can use to hire or retain an Adviser.

Additional information about Grace & White, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes

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

This Brochure dated May 2014 reflects the assets under management as of the close of our fiscal year February 28, 2014.

There are no material changes from the December 2013 Firm Brochure.

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

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Item 4 Advisory Business

Grace & White, Inc. (Grace & White) is a Registered Investment Advisor founded in 1977. Gerald I. White, CFA, President, Chief Financial Officer and Director, is the principal owner.

Marc E. Ravitz, CFA, Executive Vice-President and Director, and two other investment professionals contribute to the investment management process.

Grace & White provides investment supervisory services on a discretionary basis. Each portfolio is invested separately according to the client's financial objectives, including desire for income and tolerance for risk. It does not engage in any other business.

Types of Investments

We make investments for each client based on that client's investment objectives, including desire for income and risk tolerance. As a result, the investments held by client portfolios vary due to differing objectives.

Investments may include any of the following:

- equity securities, including
 - exchange-listed securities,
 - exchange traded funds,
 - securities traded over-the-counter,
 - securities of foreign issuers;
- warrants,
- certificates of deposit,
- corporate debt securities,
- tax-exempt debt securities,
- mutual fund shares,
- money market funds,
- United States government debt securities,
- government-related agency bonds,
- options contracts on securities,

- convertible securities,
- partnerships.

We consider any limitations that the client would like us to adhere to (e.g. no investments in cigarette manufacturers) in managing their account. The client should notify us promptly if there are any changes in these limitations or if they believe that any investments made on their behalf are not in accordance with their objectives.

As of February 28, 2014, our assets under management were approximately \$820,580,000 of which \$813,130,000 is managed on a discretionary basis and \$7,450,000 on a non-discretionary basis.

Item 5 Fees and Compensation

Fees for investment supervisory services are computed as a percentage of assets under management, as agreed to in the Investment Counsel Agreement signed by every client. The fee structure is generally:

1.00% of the first \$1 million of assets under management

.60% of the excess over \$1 million of assets under management

These fees are for advisory services only and do not include any transaction fees or commissions. Client funds may be invested in the shares of money market or other mutual funds, where a management fee is paid to the manager (not Grace & White) in addition to the fee paid to Grace & White. In such cases, the client is, in effect paying two management fees.

Unless agreed otherwise, fees are payable semi-annually in arrears, based upon market values on the last day of such semi-annual period (June 30 and December 31). The agreement may be terminated by the client at any time. If the account was managed for less than the entire semi-annual period, the management fee will be pro-rated based on the number of days that the account was open during the billing period.

On the valuation date, we determine the portfolio value based on the closing price on the principal market where the securities are traded. If no market quotation is available for certain securities, they are valued at the price reported by your custodian or a third party pricing service. All other assets (such as private investments or real estate) are valued as determined in good faith by us based on information available to us.

Fees may be negotiated for large accounts or family groups. Accounts of related persons may be aggregated for fee purposes.

The valuation for fee purposes may be defined to exclude certain holdings (e.g. legacy holdings, non-taxable securities or large blocks of specified securities).

The client may authorize us to invoice the custodian directly for the management fee, and authorize the Custodian to pay us directly from their account.

See item 12 of this brochure for related discussion.

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

Grace & White does not charge performance-based fees.

Item 7 Types of *Clients*

Grace & White offers its services to

- individuals,
- retirement plans,
- trusts and estates,
- pension and profit sharing plans,
- limited partnerships,
- charitable institutions,
- corporations and endowments, and
- other qualified investors.

Grace & White has a required minimum account size of \$1 million; however this minimum may be waived. The majority of our clients are high-net-worth individuals and their related accounts

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

Grace & White makes investment decisions based on fundamental analysis using:

- annual reports, prospectuses and filings with the SEC,
- company press releases, meetings, and conference calls,
- financial newspapers and magazines,
- inspections of corporate activities,
- research materials prepared by others,

Grace & White selects investments for clients based on its own analysis of the business prospects and financial condition of the company. It generally seeks companies that use conservative accounting methods and do not employ excessive leverage (borrowing) or engage in high-risk activities. It tends to focus on the shares of smaller companies as it believes that such companies are sometimes misvalued by the securities markets as most investors, their advisors, and research services focus their efforts on very large companies. Grace & White believes that it can provide superior returns to its clients by investing in smaller companies despite their greater inherent risk and price volatility.

Investment decisions are dependent on valuation rather than a view that a particular company is inherently a "good" or "bad" investment. The goal is to invest in "good" companies at low valuations (relative to sales, net worth, earnings, cash flows, or other metrics) and to hold such investments until there is an adverse change or the market valuation appears to be excessive.

Grace & White examines companies globally, but most investments are made in companies based in the United States and other industrialized countries. Information available on companies outside the US is often limited. While we consider ourselves to be very knowledgeable about variations in accounting methods worldwide, such differences can make it more difficult to analyze non-US enterprises.

Fundamental analysis cannot accurately predict the price movements of the stock market or of any one investment, especially in the short term. While we use our analysis to draw conclusions about the probability of a particular investment's profitability, there exist a multitude of factors which prevent our predictions from being infallibly accurate. Some of the risks that may not necessarily be foreseen using fundamental analysis include: the economic environment, which may impact certain industries in an unforeseeable fashion; interest rates; the credit markets, including availability of loans and credit lines (both retail and commercial), as well as the cost of credit; foreign currency exchange rates; consumer confidence; supply interruptions due to unforeseen circumstances; commodity prices; natural disasters, political events in various countries, and others.

All investments involve financial risk which is borne by the client. It is also the client's responsibility to pay any income or other taxes which may be due for transactions in the client's account.

Grace & White may use one or more of the following techniques when investing for client accounts:

- long-term purchases (securities held at least one year),
- short-term purchases (securities sold within one year),
- option writing, including covered options, uncovered options or spreading strategies,
- short sales,
- margin transactions.

Each of the above may prove to be unprofitable.

- Long-term purchases are usually based on a 3-5 year time horizon, subject to change based upon events within the company and/or the economy or financial markets. It is historically true that the market can and does go through long cycles both up and down, so depending upon one's point of entry, losses can always occur and it may take a very long time for investments to be profitable, if ever. This strategy is the dominant strategy used by Grace & White, especially for portfolios that are taxed at a lower tax rate on long-term gains.
- Short-term purchases involve a shorter time frame and sales may be effected when a security reaches its price target or fails to deliver anticipated financial results. Grace & White tries to avoid recognizing short-term gains for portfolios that are taxed at a lower tax rate on long-term gains.
- Grace & White utilizes options to generate income and/or hedge a position for a small number of clients. It does not use options for speculative purposes.
- Short selling is a tactic that can be used to hedge a position or as a tax strategy. Short selling is not significant for Grace & White's advisory accounts and it is used only in a small number of portfolios under special circumstances.
- Margin transactions involve borrowing to leverage an investment. Such leverage augments the size of gains and losses. Unless instructed to incur margin debt by the client, Grace & White does not engage in this practice for advisory accounts, except in rare cases.

Item 9 Disciplinary Information

Grace & White has no record of legal or disciplinary events.

Item 10 Other Financial Industry Activities and Affiliations

- A. Grace & White is not registered as a broker-dealer and we do not have any plan to register with the SEC as a broker-dealer.
- B. Grace & White is not registered as a futures commission merchant, commodity pool operator, or a commodity trading advisor and has no plan to do so.
- C. Grace & White has no material relationship with any related party.
- D. Grace & White has, in rare cases, recommended another investment advisor to a client, but has not received any direct or indirect compensation for doing so.

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

High ethical standards are essential for Grace & White's success, and for maintaining the confidence of our clients. Our long-term business interests are best served by adherence to the principle that the interests of clients come first. We have a fiduciary duty to clients to act solely for their benefit. All of Grace & White's personnel, including directors, officers and employees, must put the interest of our clients before their own personal interests and must act honestly and fairly in all respects in dealings with clients. All personnel must also comply with all federal and state securities laws.

In addition, all of its analytical personnel are members of CFA Institute, and subject to its Code of Ethics and Standards of Professional Conduct.

Grace & White will provide a copy of its Code of Ethics to any client or prospective client upon request.

Officers and other full time employees of Grace & White, Inc. and their relatives sharing the same home (collectively "insiders") are subject to restrictions regarding transactions for their accounts which may conflict or compete with transactions in the same securities executed for clients. Such restrictions include:

- (i) Transactions for clients take precedence over those insiders in that no insider transaction may be executed while client orders in the same security remain unexecuted. However insiders may place small orders at other brokers as long as they do not interfere with client orders.
- (ii) When insider and client orders are placed simultaneously, clients shall receive first execution. However, insider trades may be bunched with client trades when it is advantageous to clients to do so.
- (iii) Insider transactions may not be contrary to client transactions in the same security. Exceptions to this rule may be permitted in the case of:
 - a) Transactions undertaken for tax purposes.
 - b) Transactions dictated by the need for funds for purposes other than securities investment.
 - c) Transactions dictated by the client that are contrary to advice given by applicant.
- (iv) These restrictions do not require that all clients make purchases (or sales) of a given security prior to any such action by insiders. The timing of transactions in individual accounts depends on the:
 - a) Investment objectives of client.
 - b) Tax considerations pertaining to client.
 - c) Need for/or availability of cash.
 - d) Other factors which may vary widely from account to account.

Item 12 Brokerage Practices

Grace & White chooses brokers based on services provided, execution capabilities, and commission charges.

We use Tocqueville Securities L.P. ("Tocqueville") as our regular broker for the execution of portfolio transactions for many of our clients, subject to any client's contrary instructions.

Tocqueville has agreed to charge our clients the following commission rates:

- \$0.01 per share for shares selling for \$0.99 or less
- \$0.03 per share for shares selling for \$1.00 or more, but less than \$5.00
- \$0.05 per share for shares selling for \$5.00 or more

Tocqueville has also agreed to reimburse our clients for fees (such as wire fees) charged by the clearing broker (see below). There is no "soft dollar" arrangement.

Commissions are paid to Tocqueville on transactions effected on the New York Stock Exchange and other national securities (including NASDAQ). Over-the-counter transactions are executed on an agency basis, and the market maker through whom the shares are bought or sold receives a mark-up or mark-down. Tocqueville also charges commissions on fixed income transactions. In such cases, the client is, in effect, paying two commissions. Commissions are computed on each individual trade, even when trades are bunched.

Commissions may be paid on cross transactions between clients. Cross transactions are primarily entered into to realize losses for taxable client accounts. Such trades are priced at the mean between the "bid" and "asked" price shown on the primary securities exchange just prior to the trade. We decide when to execute the cross trade and monitor the performance of the broker.

Tocqueville, which is a member of the New York Stock Exchange, employs as its "clearing broker" Pershing LLC, a subsidiary of BNY Mellon, and a member of the New York Stock Exchange and other national securities exchanges.

Grace & White may, from time-to-time, utilize research materials and other resources of Tocqueville, but Tocqueville receives no compensation from the applicant (or its clients) for making such materials or resources available.

In addition, Grace & White may obtain research services from other organizations. Any such services are paid for from our general revenues, or by the use of customer commissions (see agreement with Tocqueville above).

Clients retain, at all times, the right to designate any brokerage firm of their choice to execute all such or any portion of the transactions for their account. Such designation has no effect on the fees paid for the services of Grace & White.

Some clients choose to direct brokerage to a specific broker. Commissions paid to that broker may be higher or lower than the commissions paid to Tocqueville or other brokers normally used by us. We negotiate commissions when possible and monitor the performance of all brokers used.

Sterling, Grace Municipal Securities Corp. is a broker dealer that we have, on occasion, used to effect client portfolio transactions on municipal securities, when in the best interests of the client. All of the shares of Sterling, Grace Municipal Securities Corp. are owned by stockholders of Grace & White, Inc. (excluding Gerald I. White).

Item 13 Review of Accounts

Each account is reviewed formally each quarter at the time client reports are prepared and mailed out. Formal reviews are also made from time to time as warranted by financial market conditions. Informal reviews are made on a continuous basis as warranted by changes in market conditions, cash additions and withdrawals, portfolio changes, or client inquiries.

All reviews are made by Gerald I. White, who is responsible for all accounts. Account reviews are normally done alphabetically.

Each account is sent a quarterly computerized report showing, on a year-to-date basis, dividend and interest income, realized capital gain/losses, and cash in/out flows. The report also shows the portfolio value, including the cost, value, and unrealized gain/loss of each portfolio holding.

The report also compares the portfolio total return with that of the S&P 500 stock index. An accompanying letter discusses portfolio performance and investment changes.

Periodic statements showing all transactions, money movements and security positions are provided directly to the client by the chosen custodian. We recommend that the client compare quarterly account statements from the custodian with the Grace & White quarterly reports.

Item 14 *Client* Referrals and Other Compensation

Grace & White has no arrangements under which we or any related person compensate any party for client referrals. We do not receive any economic benefit from any person who is not a client for providing advisory services to clients.

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Item 15 *Custody*

All clients' assets are held by unaffiliated broker-dealers, banks, or other qualified custodians.

However under SEC rules Grace & White may be deemed to have constructive custody of certain accounts when an officer is trustee or custodian.

Clients receive statements, at least quarterly, from the broker-dealer, bank or other qualified custodian that holds and maintains the client's investment assets. Grace & White urges clients to carefully review such statements and compare such official custodial records to the account reports that we provide. Our reports may vary from custodial statements based on differences in accounting procedures, reporting dates, or valuation for certain securities.

Item 16 Investment Discretion

Grace & White normally receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts Grace & White adheres to the investment policies, limitations and restrictions of the clients it advises.

See items 4 and 7 of this brochure for related discussion

Item 17 Voting *Client* Securities

The following policies and procedures apply to proxies voted by Grace & White on behalf of its clients. These policies and procedures are provided in compliance with Rule 206(4)-(6) of the Securities and Exchange Commission, which was effective March 10, 2003.

When Grace & White Votes Proxies

We may have the authority to vote proxies when:

1. A client has requested that proxies be sent to us for action.
2. Gerald I. White, is trustee or custodian
3. Grace & White is investment advisor to an investment partnership, or other entity.

We do not normally vote proxies for clients who receive them directly from the custodian or broker holding the securities.

How Grace & White Votes Proxies

All voting decisions are made by White, based on the facts and circumstances of each election. In general, routine proxies are voted in accordance with the recommendation of the company's directors. However, votes contrary to the directors' recommendation may be cast; the following are examples:

We may vote against individual directors based on their experience, lack of stockholdings in the company, or other factors. Similarly, we may vote in favor of insurgent directors when we believe that such directors would be more likely to favor policies that benefit shareholders.

1. We generally vote against classified boards of directors, "poison pills," and other proposals that are viewed as contrary to shareholder rights.
2. We consider resolutions related to social issues and corporate responsibility on the merits of each resolution. In general we vote against resolutions that are political or "boilerplate" in nature or which advocate actions that may be contrary to shareholder interests. When the views of the client or trust beneficiary on a particular issue are known, we will consider such views when voting.

Conflicts of Interest

Grace & White does not engage in investment banking, the management of corporate pension funds, or other business activities likely to result in conflicts of interest, and has not had such conflicts in the past. Should a conflict of interest arise in the future, we will make our best effort to cast proxies in a manner that favors our clients, consistent with the way we conduct our business generally. If such conflicts arise, we will consider the views of independent third parties as to the appropriate voting action.

All of our officers and analysts are members of the CFA Institute and are bound by its Code of Ethics and Standards of Professional Conduct. Those standards have requirements with respect to proxy voting that are similar to the SEC Rule.

Further Information

Any client who wishes to obtain further information about our proxy voting, including information on how that client's securities were voted in any particular case, should contact Gerald I. White, President.

Item 18 Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition. Grace & White has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has never been the subject of a bankruptcy proceeding.

Item 19 Requirements for State-Registered Advisers

Not applicable. Grace & White, Inc. is an SEC-registered investment adviser.