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**Firm Brochure for Clients
(Part 2A of Form ADV)**

Updated: March 27, 2019

This Brochure provides information about the qualifications and business practices of Granite Investment Advisors, LLC. (Granite). If you have any questions regarding the contents of this Brochure, please contact Debra Wentworth, Partner, CCO, COO at 800-851-8431 or via email at debbie@graniteinv.com.

Granite is a registered investment advisor. Registration does not imply any level of skill or training. The oral and written communications of an Advisor are intended to provide you with information about which to determine whether or not to hire.

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 Granite is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

This item will only discuss specific material changes that are made to the Brochure and provide clients with a summary of such changes. Our last annual update was on March 29, 2018.

Item 8 – We combined and renamed our Equity and Balanced Strategies to the Large Cap Value Strategy. There is no change to how portfolios are managed or what holdings are in the accounts. The change was done for operational purposes only.

Item 11 – Effective June 15, 2018 we changed our Code of Ethics to remove the market cap restriction on stock purchases. Employee trades cannot exceed \$100,000 total per security, per day.

Our brochure is always available by contacting Debra Wentworth, Partner, CCO, COO at 800-851-8431 or debbie@graniteinv.com. The Brochure is also available electronically using the link on our website: www.graniteinvestmentadvisors.com.

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Item 4 – Advisory Business

Firm Description

Granite was founded in 1983 as E. R. Taylor Investments. In 2001, the firm was acquired by the publicly traded firm Boston Private Financial Holdings, Inc. It was a wholly owned subsidiary. In April 2009, Granite Investment Advisors Holdings, Inc. purchased the firm from Boston Private Financial Holdings, Inc. and changed the name to Granite Investment Advisors, Inc. On February 1, 2017 we changed our corporate structure to become Granite Investment Advisors, LLC. The firm has one office in Concord.

Principal Owners

Granite is owned by its three partners including Scott Schermerhorn, CEO and Timothy Lesko who own 25% or more.

Types of Advisory Services

Investment Management Services – Separate Accounts

Granite is an investment advisor that manages client portfolios on a discretionary basis. Discretionary means that upon signing a contract with Granite, clients give us the authority to execute trades (buys and sells) of securities on their behalf. Granite will take instruction to restrict certain securities from being traded on the client's behalf. Our assets under management were \$620,031,231 with \$25,565,964 being non-discretionary as of 12/31/18.

Granite builds and manages customized investment portfolios for affluent individuals, corporations and non-profit institutions. Clients may impose restrictions on our ability to implement particular types of investments.

Financial Planning Services

Granite also offers financial planning services to prospective clients and our investment management clients.

Sub-advisory Services

Granite provides sub-advisory services to Union Bank (the bank) clients.

Research Services

Granite provides research to certain institutions for use and implementation by the internal investment management department.

Item 5 – Fees and Compensation

Fees are determined based on the type, size and composition of the account. Fees are billed quarterly for all clients.

Private Clients

Fees payable by the **clients** for the services of Granite shall be calculated on the assessed market value of all assets. Fees will be based on the tiered schedule as follows:

First \$500,000 – 120 basis points (1.20% annually)
Next \$1.5 million – 100 basis points (1.000% annually)
Balance over \$2 million – 75 basis points (0.750% annually)

Institutional Clients

Fees payable by the **institutional client (introduced by a professional investment consultant)** for the services of Granite shall be calculated on the assessed market value of all assets. Fees will be based on the tiered schedule as follows:

- First \$10 million - 75 basis points (0.75% annually)
- Next \$15 million - 65 basis points (0.65% annually)
- Next \$25 million - 55 basis points (0.55% annually)
- Next \$50 million - 45 basis points (0.45% annually)
- Balance over \$100 million - 35 basis points (0.35% annually)

Broker-Dealer Clients

Fees payable by the **broker-dealer platform client (accounts from Broker Dealer referral platforms)** for the services of Granite shall be calculated on the assessed market value of all assets. Fees will be based on the tiered schedule as follows:

- First \$1 million – 95 basis points (0.95% annually)
- Next \$1.5 million – 85 basis points (0.85% annually)
- Next \$7.5 million – 75 basis points (0.75% annually)
- Balance over \$10 million – 50 basis points (0.50% annually)

Financial planning services for Investment Management Clients

For all current GIA clients the Simple financial plan is included at no fee. The Comprehensive financial plan fee is \$750, but will be waived for clients with invested assets above \$500,000.

Financial Planning Only Clients

Fees payable by **Financial Planning Only** clients for the services of Granite will be as follows:

- \$250 Simple financial plan
- \$750 Comprehensive financial plan**

**The fee will be rebated if a GIA contract is signed, and the client's invested assets exceed \$500,000.

It is agreed by the Client that the fees will be payable in advance. Clients can either pay directly or authorize Granite to have the fees debited directly from their account with their custodian (broker/bank). Invoices are typically generated in the first month of the quarter and fees are payable upon receipt of invoice. Accounts not managed for a full quarter are billed on a prorated basis. If an account closes in a quarter, the fee will also be prorated and the client will be issued a refund for any fee paid in advance, as applicable. Accordingly, any earned, unpaid fees will be due and payable. All relationships are "at will" and a client may terminate their account at any time by notifying this office - preferably in writing.

Granite's fees do not include brokerage commission or other fees or charges associated with securities transactions implemented with or through a brokerage firm, markups or mark-downs in principal transactions, deferred sales charges, stock exchange fees, wire transfer or related processing fees, transfer taxes or other charges mandated by law or regulation, all of which will be charged to the Client in addition to our fee. Granite does not receive any portion of these fees but may receive research services (see Brokerage Practices).

Granite may negotiate the amount of the Client's fee depending upon circumstances including but not limited to account composition and complexity, other client, employee, or family relationships, etc. which may result in different fees being charged by Granite for Client accounts similar in composition and objective.

Granite may also manage accounts beneficially owned by employees or family members and may reduce or waive its normal fee in these circumstances. Granite may modify its standard fee arrangement causing certain clients to pay lower or no management fees.

Item 6 – Performance Fees and Side-by-Side Management

Granite does not charge any performance-based fees.

Item 7 – Types of Clients

Our clients include private individuals, couples, and families, foundations, endowments, corporations, pension plans, profit sharing plans, and public employee retirement funds.

Generally, a minimum investment of \$1,000,000 for individual stock strategies is required. For ETF strategies the minimum investment is \$50,000. The acceptance of a client below this minimum will be determined by a number of factors including but not limited to: client's assets available for management, choice of custodian, expected level of service, preexisting account relationships, and minimum account fees.

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

Methods of Analysis

Granite uses fundamental and quantitative analysis of individual equity (stock) and fixed income (bond) holdings to create investment portfolios for clients.

Large Cap Value Process

Individual Stocks

Step 1: Screening – We start with companies with market capitalization greater than \$2.5 billion. We screen for companies with above average or improving profitability selling at below average valuations. We analyze the resulting companies looking for the most profitable (or anticipation of profitability), change dynamics, and most undervalued using valuation and return on capital (ROC) measurements.

Step 2: Fundamental Analysis - We assess a company's competitive position, analyze financial statements, and interview company management, customers, and competitors.

Step 3: Valuation Analysis – We determine the fair value of a company using a discounted free cash flow model. We purchase stock in companies that we believe to be at least 25% undervalued.

Step 4: Portfolio Construction - We build portfolios with concentrated holdings to capture excess returns. A typical portfolio will hold 30 to 35 positions with an average position size of 3 to 5%. We diversify exposure across economic sectors.

Fixed Income Investments

Step 1: Determine a Client Specific Strategy - We review each client's annual income needs, tax status, and risk tolerance. We choose among US Treasury, US Government Agencies, investment grade corporate bonds, tax-free municipal bonds and Exchange Traded Funds (ETF's).

Step 2: Portfolio Positioning - We position our portfolios along the yield curve based on our assessment of where we are in the economic cycle, the level of nominal and real rates compared to historical data, the shape of the yield curve, the outlook for inflation, and the direction of monetary policy.

Step 3: Portfolio Construction - We examine the actual terms of the securities themselves including call protection, sinking fund provisions, and collateral (if any). For municipals we also examine the relative strength of the taxing authority behind the bonds, i.e. are the bonds general obligations of the state of issuance backed by its full taxing authority, or is the bond backed by a specific revenue stream based on consumer usage of a public facility.

Dividend Growth Process

Step 1: Idea Generation - The primary emphasis is placed on the identification and selection of companies that offer unique and distinctive products or services that give them a strong market franchise.

Step 2: Fundamental Analysis - We assess a company's competitive position within its industry and the market, analyze financial data, dividend history, and general economic factors.

Step 3: Portfolio Construction - Over the years, we have found that at any particular point in time, opportunities in the investment world are usually concentrated within a limited number of industries and companies. We seek to maximize these opportunities by investing only in what we consider attractively valued companies and situations. Therefore, our portfolios tend to be more concentrated by nature.

Core Growth Process

Step 1: Screening Fundamental Factors - We employ multifactor models.

Step 2: Qualitative Review - We analyze companies.

Step 3: Portfolio Construction - We diversify by sector.

Step 4: Review and monitor positions - We use a sell discipline.

ETF Process

Step 1: Determine the instrument that represents the sector or asset class needed.

Step 2: Ensure the security is liquid, meaning that it can be traded on a daily basis.

Step 3: Review the underlying costs.

Outside Analysis

Granite may also use outside analytical tools such as Morningstar, Empirical or FactSet for additional research.

Investment Strategies

Granite offers the following investment strategies:

- The **Large Cap Value Strategy** is comprised typically of individual stock and fixed income holdings that Granite determines meets our size and value parameters.
- The **Dividend Growth Strategy** is comprised of individual stock and bond holdings with an emphasis on income producing companies that offer unique and distinctive products and services that give them a strong market franchise.
- The **Core Growth Strategy** is comprised of individual stock holdings with a growth bias.

- The **ETF Strategy** is comprised of a mix of exchange traded funds (“ETF’s”). Portfolios are diversified based on the individual needs of the client. The asset allocation of the individual portfolio may contain fixed income, equity, sector, market-cap or global ETF’s.
- The **Global Strategy** is comprised of a mixture of individual stocks, ETF’s and mutual funds representing an asset allocation based upon the client’s needs and account size.

We work with each client to evaluate which strategy is best for them based on their **investment objectives** (what they intend to use the money for), **time horizons** (when they need the money), and **risk tolerance** (how do they feel about the possibility of losing money, can they handle market volatility).

Regardless of strategy the possibility of loss is inherent in any investment.

Risk of Loss

Investing in securities such as the types of securities used by Granite in managing client assets or providing investment advice involves the potential risk of loss in value from the original purchase date of the security. We typically invest in widely traded large capitalization companies which we believe are selling at a discount to the market. We invest for the long-term; our average holding period for the securities in our portfolios is four years which means that we do not incur unusual trading costs. Below are several potential risks:

- **Systematic risks (Economic risk, Market risk):** These are the risks associated with actual or anticipated changes in interest rates, domestic and global inflation, foreign currency and exchange rates, sociopolitical events such as war, terror attacks, pandemics or the like, and lastly liquidity, which is simply the availability of a willing buyer for the asset or security you are wishing to sell.
- **Nonsystematic risks (Company or investment specific risk):** Risk(s) that poor management decision making, internal personnel or financial scandal, or that new or unexpected competition will negatively affect the company’s revenues, profits or image. In many instances it is impossible for an investor to know all things about a company or stay fully abreast of the frequent changes that occur. These unknowns can also lead us to form an incorrect investment thesis on a company or security.
- **Idiosyncratic risk:** The continual adjustment of the price of a debt or equity security to fresh information entering the market.

Item 9 – Disciplinary Information

There are no reportable items for this section.

Item 10 – Other Financial Industry Activities and Affiliations

Granite does not participate in any other industry business activities.

Item 11 – Code of Ethics

Granite employees are governed by a Code of Ethics. The Code of Ethics covers the following areas: restrictions on personal securities transactions, reporting requirements, use of inside information, other conflicts of interest, other transactions, background information and review of reports and oversight of the Code of Ethics. A copy of the entire Code is available upon request.

The intent of the Code of Ethics is to ensure that the interests of the client always come before the interests of our employees. Pre-approval of trades in excess of \$100,000 per security, in combined value across all accounts, where an employee has beneficial ownership is required. Granite may impose a blackout period on certain stocks to ensure that clients’ interests are met.

Our employees may buy and sell the same securities that we purchase or sell on our Clients’ behalf. This presents a conflict of interest between our employees’ own financial interest and the best interest of our

Clients. We have addressed this conflict of interest by imposing trading restrictions under the Code of Ethics as described above.

Item 12 – Brokerage Practices

Research and Other Soft Dollar Benefits

We define soft dollars as a means of paying brokerage firms for services through commission revenue, as opposed to through direct payments. Most of the soft dollar benefits received by Granite are in the form of equity research which helps our investment team make decisions. We earn soft-dollars when we trade with particular brokers and custodians. Our soft-dollar ratio is 2.0 to 1.0; meaning for every \$1 we want to spend, we must pay them \$2.00 in soft dollars. The services we are using soft-dollars for are used by our research staff for the benefit of all clients in the selection of securities to be purchased or sold.

Some broker/dealers may be selected who provide additional research services to Granite. These research services may include advice concerning the value and availability of securities, the advisability of investing in, purchasing or selling securities, and the analysis of reports concerning issuers, industries, securities, economic factors and trends. Some of these services may be of value to Granite in advising its clients. The advisory fees paid to Granite by its clients are not reduced because it receives the services mentioned above.

The broker/dealers who provide these research services to Granite may receive commissions which are slightly higher than the amount of commissions which other broker/dealers may have charged for effecting the same transactions. However, this will only occur if Granite has determined that this additional compensation is reasonable in relation to the value of the firms' brokerage and research services, and when viewed in terms of the particular transactions and Granite's overall advisory responsibilities with respect to its clients. Certain services provided to Granite may include administrative support services or products, and in this case, Granite makes a reasonable, good faith allocation of expenses between research services to be paid in soft dollars and administrative services or products for which it pays directly; however clients should be aware that this procedure may pose a conflict of interest between Granite's obligation to achieve best execution on the Clients behalf and its desire to obtain certain administrative services or products. All brokerage commissions will be borne by the client and are not included as part of the advisory fees paid to Granite.

Choosing a Custodian

Clients may select their own broker or custodian. If there is no present relationship, several alternatives are suggested. We will only suggest relationships where discounts are available, although these may not be the lowest available.

How Granite selects brokers/custodians that we recommend:

Granite seeks to recommend a custodian/broker that will hold your assets and execute transactions on terms that are, overall, most advantageous when compared with other available providers and their services. We consider a wide range of factors, including:

- Combination of transaction execution services and asset custody services
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services

- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below

Granite may receive training, additional benefits and/or services from custodians that are not available to retail clients based on Granite's client asset levels. The benefits may be used for all clients and not just those with assets at that custodian.

Use of Schwab as Custodian:

Granite may recommend that our clients use Schwab, a registered broker-dealer, member SIPC, as the qualified custodian to maintain custody of their assets. Granite is independently owned and operated and is not affiliated with Schwab.

Granite does not maintain custody of your assets, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see Item 15—Custody, below). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We may recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we may recommend that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see "Your brokerage and custody costs").

Your brokerage and custody costs

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account unless you have entered into an Asset Based Pricing agreement separately. Certain trades (for example, many mutual funds and ETFs) may not incur Schwab commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in your account in Schwab's Cash Features Program. This commitment benefits you because the overall commission rates you pay may be lower than they would be otherwise. In addition to commissions, Schwab charges you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see "Choosing a Custodian").

Products and services available to us from Schwab

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms such as Granite. They provide us and our clients with access to Schwab's institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. Following is a more detailed description of Schwab's support services:

Services that benefit the client - Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which Granite might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. These services described in this paragraph generally benefit the client and the client's account.

Services that may not directly benefit you - Schwab also makes available to Granite other products and services that benefit us but may not directly benefit the client or the client's account; although these products and services assist us in managing and administering our clients' accounts. These services include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

Services that generally benefit only Granite - Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

Granite's interest in Schwab's services

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services. These services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. We may have an incentive to recommend that a client maintains an account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services as described in the factors considered by us in selecting brokers/custodians as described above and not Schwab's services that benefit only us.

Use of Fidelity as a Custodian:

Granite has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides Granite with Fidelity's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like Granite in conducting business and in serving the best interests of their clients but that may also benefit Granite.

Granite is independently operated and owned and is not affiliated with Fidelity.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables Granite to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers.

As part of the arrangement, Fidelity also makes available to Granite, at no additional charge, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, or other services as selected by Granite within specified parameters. These services include, but are not limited to, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom we may contract directly. These services are used by Granite to manage accounts for which it has investment discretion. Without this arrangement, Granite might be compelled to purchase the same or similar services at its own expense.

As a result of receiving such services for no additional cost, Granite may have an incentive to continue to use or expand the use of Fidelity's services. Granite examined this potential conflict of interest when it chose to enter into the relationship with Fidelity and has determined that the relationship is in the best interests of its clients and is consistent with its duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Granite determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Granite will seek competitive rates, to the benefit of all clients, it may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by Granite will generally be used to service all of its clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account.

Directed Brokerage

If instructed by a client to do so, Granite (the "Advisor") will affect all transactions on such clients' behalf through a specified broker, unless it is not possible to effect a particular brokerage transaction through such broker. By effecting brokerage transactions through a specified broker for a particular client, such client may not receive best execution in certain transactions for reasons including, but not limited to, the following: (i) the Advisor will not negotiate brokerage commissions on behalf of such client; (ii) the Advisor may be indirectly compensating such brokers when they charge commission rates higher than those that the Advisor negotiates for other clients; (iii) such client will forgo benefits from savings on execution costs that may otherwise be obtained, such as volume discounts received by batching or aggregating client orders; and (iv) the client may incur brokerage charges which are higher than those incurred by other clients of the Advisor. In addition, there is a potential conflict of interest when a client referred to us by a broker directs us to use that broker because we have an interest in obtaining future referrals from that broker, and this desire for future referrals may be in conflict with our obligation to achieve best execution on behalf of the client.

When the account is held by the Client at a bank, generally all trades will be executed at the prevailing institutional rate for the size of the account. For some clients, the location of the brokerage firm or bank may also be a consideration.

Trade Allocations

Although investment decisions for each of our clients will be made by us independently from the investment recommendations or determinations made on behalf of other clients, when investments are

deemed appropriate for more than one client, so that the same security will be purchased or sold at or about the same time for more than one client we may aggregate or “bunch” the orders. We will not aggregate orders unless we believe that aggregation is in the best interests of all clients involved, is consistent with our duty to seek best execution for its clients and is consistent with the terms of our investment advisory agreement with each client for whom orders are being aggregated.

Nevertheless, there is no assurance that aggregation of orders will benefit all clients equally, and in some instances combined orders could adversely affect the price or volume of a security. When orders are aggregated, the actual prices and transaction costs applicable to the trades will be averaged, and the accounts will be deemed to have purchased or sold their proportionate share of the securities involved at the average price so obtained. For certain transactions involving fixed income securities, it may not be beneficial to the clients involved in the transaction to allocate the securities pro rata based on the original order(s), as in some cases this could result in fractional bonds. In these instances, we will re-evaluate the suitability of the investment for the accounts involved in the order(s) and allocate accordingly. For all aggregated orders, a pre-execution aggregation statement, indicating the participating client accounts and the method of allocation among accounts if other than pro rata, will be used. If an order must be allocated in a manner different from that on the aggregation statement, all participating clients will receive fair and equitable treatment.

Item 13 – Review of Accounts

Individual security holdings are reviewed on a continual basis in light of earnings and dividend reports, merger/takeover announcements, current business and economic reports, credit market developments and other relevant developments that may affect the current and prospective value of specific securities and their suitability for individual clients.

Accounts are reviewed quarterly for objective and discretion. The accounts are reviewed first by a member of the compliance committee and then by the primary portfolio manager.

Accounts are reviewed when the investment committee decides to purchase a stock. This review is to ensure that the security is appropriate for that account and its objective.

We communicate with our clients in several ways. On a quarterly basis, we provide clients with a letter that contains comments on current economic and market conditions along with reports specific to their accounts. When a new security is purchased, an Investment Thesis is sent to the clients for whom it was purchased.

We maintain a website and blog that can be accessed by going to either www.graniteinv.com or www.graniteinvestmentadvisors.com.

Item 14 – Client Referrals and Other Compensation

Solicitor Arrangements - External

Granite has a contractual agreement with Strategic Pension Planning, LLC for which it compensates Strategic up to 33% of the quarterly fee billed to the client for providing the client referrals to Granite. Strategic Pension Planning agrees to hold in confidence and not to disclose or use for its own benefit any confidential information of Granite. In compliance with regulatory requirements, the solicitor delivers to the referral client a solicitor's disclosure statement and a copy of this brochure, the receipt of which the client acknowledges in writing.

Solicitor Arrangements - Internal

Granite may compensate certain employees who refer client advisory business to the Company. Therefore, the employee will have a financial interest in the Client's choosing to retain Granite for services. Any

commission/referral payments made to such employees are paid directly by Granite and will not result in any increased fees or charges to the client.

Other Compensation

We receive an economic benefit from Schwab and Fidelity in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab and Fidelity. In addition, Schwab has also agreed to pay for certain products and services for which we would otherwise have to pay once the value of our clients' assets in accounts at Schwab reaches a certain amount. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12—Brokerage Practices)

Item 15 – Custody

All client accounts are held in custody by a qualified custodian retained by the client. Clients receive reports of assets and transactions directly from the custodian not less than quarterly. In addition to the reports clients receive from their qualified custodian, as part of the communication plan structured for each client, Granite may provide clients with account statements and reports that are generated by our internal accounting system, which tracks account activity based on an electronic download from the custodian. These internal reports are used for periodic written communications such as quarterly letters, in-person client meetings, and other periodic communications. Clients are urged to review the statements provided by the qualified custodian and compare them to statements and reports provided by Granite. The statements from the qualified custodian are the official record of client accounts.

Granite is deemed to have custody of client assets where Granite is authorized to debit its management fees directly from the client's custodial account even though the assets in those accounts are maintained separately with a qualified custodian. Granite may also be deemed to have custody of client assets where one of its employees has been requested by a client to serve as trustee. Other special arrangements, letters of authorization for example, may also create a custody relationship.

If a Partner or employee of Granite is a trustee of client assets, we must note in our ADV Part I filing with the SEC that we have custody of these client assets, and these accounts may be subject to a surprise audit by an independent accounting firm retained by Granite. Granite may also have additional potential liability regarding these trust accounts, due to the trustee's exercise of discretion and other responsibilities that are beyond the scope of the normal investment advisory role.

Item 16 – Investment Discretion

Clients sign a contract giving Granite discretionary authority to execute the purchase and sale of securities on their behalf. Discretion is exercised in a manner consistent with the investment objectives set out at the beginning of an investment management relationship, and clients can impose restrictions on the extent of this discretionary authority. It is important to communicate any changes in your investment objectives to us.

Item 17 – Voting Client Securities

Proxy Voting Policy

POLICY

Granite believes that corporate proxies have economic value and we encourage clients to be involved in the investment process by voting proxies on the stocks in their portfolio. We assume that clients choose to vote their proxies. Granite will vote all proxies it receives. For ERISA accounts, the plan documents should state clearly who has authority and responsibility to vote all proxies. Granite uses the Broadridge

Investor Communication Solutions, Inc. to make recommendations and vote our proxies using Glass Lewis & Co. Proxy Paper Guidelines – Investment Manager Policy.

Generally, Granite does not allow Clients to instruct us how to vote specific proxies although we will consider such instructions upon request. Clients may obtain a complete copy of our policies and procedures for voting proxies and a record of how we have voted the proxies for a particular client's investments by contacting us through the contact information included on the cover page of this brochure.

PROCEDURE

When a client elects for Granite to assume the responsibility of voting proxies, the following procedures will be in place:

- Granite will work to have all proxies consolidated electronically at Broadridge Investor Communication Solutions, Inc.
- Granite has contracted Broadridge to provide voting recommendations in accordance with the Glass Lewis & Co. Proxy Paper Guidelines – Investment Manager Policy. The proxies will be voted using the recommendation unless we choose to override that recommendation.
- If paper proxies are received we will determine the Glass Lewis & Co. Proxy Paper Guidelines – Investment Manager Policy recommendation and use that information to vote the proxy.
- If there is not a recommendation then we will vote the proxy with company management.
- Upon written request, a quarterly review of proxy activity will be provided. It will include the following information:
 - Companies issuing proxy material
 - Issues and/or shareholder proposals
 - Our vote

SUMMARY OF POLICY GUIDELINES

We use the Glass Lewis & Co. Proxy Paper Guidelines – Investment Manager Policy.

A copy of the policy guidelines is available upon request. Please contact Debra Wentworth at 800-851-8431 to request a copy.

Class Action Filing

Granite has a contract with Broadridge, a company that will review, process and file class actions for all clients. Clients may opt out of this service if they wish to file on their own by contacting Debra Wentworth, Partner, CCO, COO. There is no upfront cost for this service. If there is a class action payment made, a fee of 15% is deducted for the services.

Item 18 – Financial Information

Granite does not have any financial impairment that will preclude the firm from meeting its contractual commitments to its clients and we have never filed for bankruptcy.

Privacy Notice

At Granite, protecting the privacy and confidentiality of your personal information is important to our employees and to us. We value your business and the trust you put in Granite. To offer you the financial products and services you seek, we collect, maintain and use information about you on a routine basis. To help you better understand how your personal information is protected here at Granite, we are providing you with the following statement describing our practices and policies with respect to the privacy of customer information. In the event you terminate your client relationship with us, or become an inactive client, we will continue to adhere to the policies and practices described in this notice.

Information We Collect

As a trusted investment advisor, we collect, retain and use nonpublic personal information about individual clients to provide products and services to our clients. We may collect nonpublic personal information about you from such sources as: 1. Applications or other forms; 2. Information about your transaction with us or others.

Who Receives Information and Why

All of the information Granite collects is used for only one purpose: to help deliver the services you've requested, easily and efficiently. It may also permit Granite to design and offer specific products that will be useful to you. Granite does not disclose any non-public personal information about our clients or former clients to anyone, except as permitted by law.

Service Providers

At times, Granite will enter into arrangements with companies or firms whose expertise is essential for Granite's own services to function properly or to complete transactions. For example, Granite works with specialized firms that provide computer consultation. As permitted by law, certain service providers have access to customer information that is necessary to perform these functions. Granite's service providers are required to safeguard your information and use it only for authorized purposes.

How We Protect Your Information

We understand that the protection of your nonpublic personal information is of the utmost importance. Guarding your privacy is our obligation. Granite maintains strict procedures and policies to safeguard your privacy. We restrict employee access to customer information to only those who have a business reason to know such information, and we educate our employees about the importance of confidentiality and client privacy.

Where to Find Out More

If you have any questions about our privacy program or the way your information is maintained and used, we would like to hear from you. Please call us at (603) 226-6600, or write to:

Debra Wentworth
Partner, CCO, COO
Granite Investment Advisors, LLC
6 Eagle Sq., 3rd Floor
Concord, NH 03301

Your trust is important and Granite is committed to protecting your privacy, whether you do business with our company in person, by telephone or by mail. Thank you for choosing Granite.