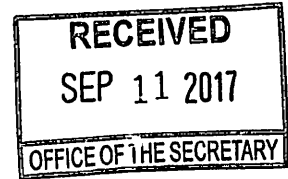


UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-16554



In the Matter of

**GRAY FINANCIAL GROUP,
INC.,
LAURENCE O. GRAY, and
ROBERT C. HUBBARD, IV**

Initial Stipulations of the Parties.

The Division of Enforcement (“Division”) and the Respondents collectively, through their undersigned counsel, hereby submit their initial stipulations in this matter.

Exhibit Stipulations:

1. The parties agree that exhibits listed on either party’s exhibit list are admissible upon tender by any party, except the following exhibits are excluded from this stipulation:
 - a) Depositions and investigatory testimony
 - b) Division exhibits 4, 5, 6, 46, 50, 53, 58, 66
 - c) Respondents exhibits 1658, 1656, 1655, 1654
 - d) Respondents exhibit 1361, which is withdrawn.
 - e) Division’s exhibits 4, 5, 6, 46, 53, 66, which are withdrawn

Fact Stipulations

Respondents:

2. Gray Financial Group Inc. (“Gray Financial”), a Georgia corporation, IARD No. 109349, doing business as Gray & Company, was an Atlanta, Georgia-based investment adviser that was registered with the Commission from September 1998 through March 2017, when it filed a form ADV-W, and its registration was terminated.

3. On or before March 30, 2017, Gray Financial assigned its advisory contracts to Consequent Capital Management, LLC (“Consequent”), a Georgia limited liability company and an Atlanta, Georgia-based investment adviser that has been registered with the Commission since October 2016.

4. Respondent Laurence O. Gray (“Gray”), CRD No. 1240126, age 55, is a resident of Atlanta, Georgia. Gray was 100% owner of Gray Financial and, since the Company’s founding in September 1998, Gray had been President and, until July 2013, CEO. Gray is currently consultant to the president of Consequent during the transition of clients to Consequent, subject to Consequent’s right to terminate the consulting relationship “at will” on 90-days’ notice.

5. At various times from 1984 through 2008, Gray has been associated with broker-dealers. From January 1984 through February 1989, Gray was associated with Smith Barney, Harris Upham & Co., Incorporated. From February 1989 through June 1990, Gray was associated with Oppenheimer & Co., Inc. From June 1990 through April 1991, Gray was associated with Morgan Keegan & Company, Inc. From July 1991 through May 2003, Gray was associated with Equity Services, Inc. From May 2003 through December 2005, Gray was associated with Iron Capital Markets, Inc. From November 2007 through September 2008, Gray was associated with Andes Capital Group, LLC.

6. Respondent Robert C. Hubbard, IV (“Hubbard”), age 42, is a resident of Dunwoody, Georgia. He had been employed by Gray Financial since August 2006 in various senior positions. Hubbard was the Chief Operating Officer of Gray Financial from October 2009 until July 2013, was co-CEO of Gray Financial from

July 2013 until July 2015, and became CEO of Gray Financial in July 2015. Hubbard was a consultant to the president of Consequent during a transition of clients to Consequent, subject to Consequent's right to terminate the consulting relationship "at will" on 90-days' notice. His consulting relationship was terminated by Consequent on March 28, 2017 as a result of desired cost cutting by Consequent. Prior to his employment at Gray Financial, Hubbard was employed by Washtenaw County, Michigan from 2000 to 2006 in various positions, including, Retirement Administrator and Human Resources Strategic Operations Manager.

Georgia-based Public Pension Clients:

7. During the 2012-2013 period at issue in this proceeding, Gray Financial, provided investment advice and consulting services to public and private pension funds nationwide, including a number of Atlanta, Georgia-area public pension plans.

8. Gray Financial performed investment adviser and pension consulting services for: (a) the City of Atlanta Firefighters' Pension Fund ("Atlanta Firefighters' Pension") from at least August 2005 through at least December 2014; (b) the City of Atlanta General Employees' Pension Fund ("Atlanta General Pension") from at least November 2005 through at least October 2013; (c) the City of Atlanta Police Officers' Pension Fund ("Atlanta Police Pension") from at least January 2007 through at least December 2014; (d) the MARTA/ATU Local 732 Employees Retirement Plan ("MARTA/ATU Retirement") from at least February 2000 through at least December 2014; (e) Fulton County Schools Employees' Pension ("FC Schools Pension") from at least June 2010 through at least September 2014; and (f) Fulton DeKalb Hospital Authority Retirement ("FDHA Retirement") from at least August 2010 through at least September 2014.

Georgia Statute:

9. In 2012, the State of Georgia enacted a law that authorized eligible large Georgia retirement systems to invest in alternative investments, subject to certain requirements (the bill was entitled the "Employees' Retirement System of Georgia

Enhanced Investment Authority Act”) and is codified as Official Code of Georgia Annotated (O.C.G.A.) § 47-20-87 (“the Georgia statute”). Division Exhibit 21 is a copy of the Georgia Statute. The Georgia statute became effective on July 1, 2012.

10. Eligible large retirement systems are defined by the Georgia statute to mean a large retirement system as defined in subsection (a) of O.C.G.A. § 47-20-84. At all relevant times, Atlanta Firefighters’ Pension, Atlanta General Pension, Atlanta Police Pension, MARTA/ATU Retirement, FC Schools Pension, and FDHA Retirement were eligible large retirement systems within this definition.

GrayCo Alternative Partners II, LP:

11. Beginning in September 2012, at Gray Financial’s request, Gray Financial’s new legal counsel Greenberg Traurig LLP prepared the documentation for Gray Financial’s second fund of funds, GrayCo Alternative Partners II, LP (“GrayCo Alt. II” or “CoreAlts II”). Greenberg Traurig built on earlier “initial draft” documentation done in July 2012 by Seward & Kissel.

12. GrayCo Alt. II is a private fund of funds organized in Delaware.

13. At all times during 2012 and 2013 and following creation of GrayCo Alt II, GrayCo Investment Management II, LLC (“GrayCo I.M. II”), a Delaware limited liability company and related entity of Gray Financial, was the general partner of GrayCo Alt. II.

14. At all times during 2012 and 2013 and following creation of GrayCo Alt II, GrayCo Global Advisors (“GrayCo Global”), a division of Gray Financial, was the manager of GrayCo Alt II.

15. At all times during 2012 and 2013 and following the creation of GrayCo Alt II, Gray was the controlling principal of GrayCo I.M. II and GrayCo Global. Gray and Hubbard were both members of GrayCo Alt. II’s executive committee.

16. GrayCo Alt. II’s Private Offering Memorandum (the “POM”) provides that prior to the earlier of (i) the expiration of the Commitment Period (as defined in the POM) and (ii) the drawdown of a limited partner’s entire capital commitment,

GrayCo Alt. II shall pay to GrayCo Global, quarterly in advance, a management fee equal to the annualized rate of 1% of the aggregate amount of each limited partner's capital commitment. Thereafter, GrayCo Alt. II shall pay to GrayCo Global at the beginning of each quarterly period a management fee equal to an annualized rate of 1% of the cost to GrayCo Alt II of GrayCo Alt. II's investments that were held by GrayCo Alt. II as of the end of the preceding calendar quarter.

17. The POM also provides that distributions from GrayCo Alt. II to the general partner and limited partners may be made at any time as determined by GrayCo I.M. II in its sole discretion. GrayCo Alt. II will allocate its distributions of distributable cash among the general and limited partners pro rata in proportion to their respective capital contributions. The amount allocated to the general partner will then be distributed to the general partner. Amounts allocated to each limited partner will then immediately be reallocated between the limited partner and general partner in the following manner and priority:

- (i) first, one hundred percent (100%) to the limited partner until the cumulative amounts distributed to the limited partner pursuant to this clause (i) equals the limited partner's aggregate capital contributions;
- (ii) second, one hundred percent (100%) to the limited partner until the cumulative amounts distributed to the limited partner pursuant to this clause (ii) represent an eight percent (8%) rate of return on the amounts referred to in clause (i) above, compounded annually;
- (iii) third, one hundred percent (100%) to the general partner until the general partner has received an amount equal to ten percent (10%) of the cumulative amounts distributed pursuant to clause (ii) above and this clause (iii); and
- (iv) finally, ninety percent (90%) to the limited partner and ten percent (10%) to the general partner.

Public Pension Investments:

18. On September 11, 2012, Gray Financial and Gray recommended at its formal board meeting that the Board of the Atlanta Firefighters' Pension authorize its Chair to execute the necessary paperwork to invest in alternative investments.

The Board of the Atlanta Firefighters' Pension approved a motion providing for this authority at this meeting.

19. On September 11, 2012, Gray Financial and Gray recommended at its formal board meeting that the Board of the Atlanta Police Pension authorize its Chair to execute the necessary paperwork to invest in alternative investments. The Board of the Atlanta Police Pension approved a motion providing for this authority at this meeting.

20. On October 20, 2012, Atlanta Firefighters' Pension executed its subscription agreement to invest \$15 million in GrayCo Alt. II.

21. On October 22, 2012, Atlanta Police Pension executed its subscription agreement to invest \$21 million in GrayCo Alt. II.

22. On November 7, 2012, Gray Financial and Gray recommended at its formal board meeting that the Board of the Atlanta General Pension authorize an investment of \$28 million in a fund he referred to as Core Alts II, which was GrayCo Alt. II. The Board of the Atlanta General Pension approved a motion authorizing the investment at this meeting.

23. On November 7, 2012, Atlanta General Pension executed its subscription agreement to invest \$28 million in GrayCo Alt. II.

24. On November 30, 2012, Gray Financial and Gray recommended at its formal committee meeting that the Committee of MARTA/ATU Retirement authorize an investment in GrayCo Alt. II. The Committee of MARTA/ATU Retirement approved a motion authorizing a \$13 million investment in GrayCo Alt. II at this meeting.

25. On November 30, 2012 MARTA/ATU Retirement executed its subscription agreement to invest \$13 million in GrayCo Alt. II.

26. On June 21, 2013, Gray Financial and Gray recommended at its formal committee meeting that the Committee of MARTA/ATU Retirement authorize an

additional \$5 million investment in GrayCo Alt. II. The Committee of MARTA/ATU Retirement approved a motion authorizing the additional investment in GrayCo Alt. II at this meeting.

27. On August 16, 2013 MARTA/ATU Retirement executed its subscription agreement to invest an additional \$5 million in GrayCo Alt. II.

28. Collectively, the four Georgia public pension funds, Atlanta Firefighters' Pension, Atlanta Police Pension, Atlanta General Pension, and MARTA/ATU Retirement, committed to invest, as limited partners, a total of \$82 million in GrayCo Alt. II.

29. On August 10, 2011, Perry Clark ("Clark") filed a lawsuit against Gray, Gray Financial, and another individual and entity. Shortly thereafter, and still in 2011, Gray, Gray Financial, and the other defendants filed their own lawsuit against Clark.

30. On March 21, 2012, the parties entered into a release and settlement agreement of both lawsuits. Under the settlement, Gray agreed to pay Clark \$1,000,000 in installment payments of \$250,000 by March 29, 2012; \$125,000 by July 1, 2012; \$125,000 by December 31, 2012; \$150,000 by July 1, 2013; \$150,000 by December 31, 2013; and \$200,000 by December 31, 2014.

31. As of September 1, 2012, Gray had timely paid the first two installments, for a total of \$375,000, and the outstanding balance due in future installments totaled \$625,000. Gray timely paid the \$125,000 installment due on December 31, 2012, and installments of \$150,000 each on July 1, 2013 and December 31, 2013, with interest on the installments.

32. On February 18, 2014, Clark filed an arbitration claim charging that Gray had violated the confidentiality provision of their settlement agreement and that he had disparaged Clark. On July 14, 2014, Clark settled his arbitration claim with an agreement by Gray to pay an additional \$300,000 in installment payments stretching to December 31, 2016. On June 3, 2015, Clark forgave all future obligations in return for Gray's immediate payment of \$135,000.

33. During the seven months of litigation between Clark and Gray in 2011-12, Gray's legal expenses totaled \$502,017. This included \$262,852 for Gordon & Rees; \$230,292 for King & Spalding; \$3,872 for mediation services; and \$5,000 for accounting services.
34. Gray timely paid Gordon & Rees during 2011, except for a balance of \$52,852, which the law firm fully wrote off on November 26, 2012. As of September 1, 2012, Gray still owed King & Spalding \$160,292. On December 13, 2012 the Chubb division of Federal Insurance Company agreed to pay \$120,885 in satisfaction of its obligations under the Clark settlement. In or about December 2012, Gray paid King & Spalding its remaining outstanding balance of \$138,500, which King & Spalding acknowledged on January 4, 2013, leaving no outstanding legal fees from the Clark litigation.
35. Division exhibit 116 is an accurate audio recording of Atlanta General Pension's November 7, 2012 board meeting.
36. Division exhibit 117 is an accurate audio recording of Atlanta General Pension's November 20, 2012 special called board meeting.
37. Division exhibit 108 is a transcript of the both the November 20, 2012 special called board meeting of Atlanta General Pension and the November 7, 2012 board meeting of Atlanta General Pension. The November 20, 2012 special called meeting begins on page 2 and ends on page 108 and the November 7, 2012 meeting begins on page 108 and ends on page 232. The transcript is submitted as a guide. The audio recordings submitted as 116 and 117 are submitted as the accurate record.
38. Respondents' Exhibit 1358-A is an accurate audio recording of the November 7, 2012 Atlanta General Employees' Pension Plan Meeting.
39. Respondents' Exhibit 1358-B is an accurate audio recording of an excerpt from the November 7, 2012 Atlanta General Employees' Pension Plan Meeting.

40. Respondents' Exhibit 1359-A is an accurate audio recording of the November 20, 2012 Atlanta General Employees' Pension Plan Meeting.

41. Respondents' Exhibit 1360-A1 is an accurate audio recording of the first half of the December 5, 2012 Atlanta General Employees' Pension Plan Meeting.

42. Respondents' Exhibit 1360-A2 is an accurate audio recording of the second half of the December 5, 2012 Atlanta General Employees' Pension Plan Meeting.

Respectfully submitted,

Dated: September 1, 2017

/s/ William P. Hicks

William P. Hicks

Counsel for Division of Enforcement
Securities and Exchange Commission

Dated: September 1, 2017

Stephen J. Crimmins

Stephen J. Crimmins

Murphy & McGonigle PC
Counsel for Respondents