

## **Firm Brochure**

(Part 2A of Form ADV)

**GRAY EQUITY MANAGEMENT LLC**  
**34 SOUTHWEST PARK**  
**WESTWOOD, MA 02090**  
**(781) 407-0300**  
**(781) 407-0303**  
**[www.grayequitymanagement.com](http://www.grayequitymanagement.com)**  
**[dromano@grayequitymanagement.com](mailto:dromano@grayequitymanagement.com)**

This brochure provides information about the qualifications and business practices of Gray Equity Management LLC. If you have any questions about the contents of this brochure, please contact us at: (781) 407-0300, or by email at: [dromano@grayequitymanagement.com](mailto:dromano@grayequitymanagement.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 Equity Management LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

March 31, 2011

## **Material Changes**

### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

### **Material Changes since the Last Update**

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

If you were previously a Client of the Firm, this brochure dated March 31, 2011 is a new document prepared according to new regulations and rules. As such, this document is materially different in structure and requires certain new information that the Firm’s previous brochure did not require. In the future, this item will discuss only specific material changes that the Firm makes to its brochure and provide you with a summary of such changes. The Firm will also reference the date of its last annual update of its brochure.

This is the Firm’s first brochure in the new format and, therefore, the Firm has not made any material changes. The Firm reviews and updates its brochure at least annually to make sure that it remains current.

### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (781) 407-0300 or by email at: [dromano@grayequitymanagement.com](mailto:dromano@grayequitymanagement.com).

# Table of Contents

Material Changes .....	i
Annual Update .....	i
Material Changes since the Last Update .....	i
Full Brochure Available .....	i
Advisory Business .....	1
Firm Description .....	1
Principal Owners .....	1
Types of Advisory Services .....	1
Tailored Relationships .....	2
Types of Agreements .....	2
Investment Management Agreement .....	2
Financial Planning and Consulting Agreement .....	3
Advisory Referral Services Agreement .....	3
Termination of Agreement .....	4
Fees and Compensation .....	4
General .....	4
Advisory Fees .....	5
Financial Planning and Consulting Fees .....	5
Fee Billing .....	5
Other Fees and Expenses .....	6
Expense Ratios .....	7
Past Due Accounts and Termination of Agreement .....	7
Performance-Based Fees .....	7
Sharing of Capital Gains .....	7
Types of Clients .....	7
Description .....	7
Account Minimums .....	8
Methods of Analysis, Investment Strategies and Risk of Loss .....	8
Methods of Analysis .....	8
Investment Strategies .....	8

Risk of Loss .....	10
Disciplinary Information .....	11
Legal and Disciplinary.....	11
Other Financial Industry Activities and Affiliations .....	11
Financial Industry Activities .....	11
Affiliations .....	11
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading..	12
Code of Ethics .....	12
Participation or Interest in Client Transactions .....	12
Personal Trading .....	13
Brokerage Practices .....	13
Selecting Brokerage Firms and Custodians.....	13
Best Execution.....	14
Order Aggregation .....	14
Review of Accounts.....	14
Periodic Reviews .....	14
Review Triggers.....	15
Regular Reports.....	15
Client Referrals and Other Compensation.....	15
Incoming Referrals.....	15
Referrals Out .....	15
Other Compensation.....	15
Custody .....	16
Account Statements.....	16
Investment Discretion.....	16
Discretionary Authority for Trading .....	16
Voting Client Securities .....	16
Proxy Votes .....	16
Class Actions .....	16
Financial Information .....	16
Financial Condition .....	16
Business Continuity Plan.....	17
General.....	17

Disasters.....	17
Information Security Program.....	17
Information Security .....	17
Privacy Notice.....	17
Brochure Supplement (Part 2B of Form ADV).....	19
Education and Business Standards.....	19
Professional Certifications .....	19
DANIEL CHARLES ROMANO, CPA, PFS .....	21
PAUL JOSEPH GERRY, JR., CPA, PFS.....	22
JAMES ELLIOTT BRANCH, CFP, ChFC.....	23

# **Advisory Business**

## **Firm Description**

Gray Equity Management LLC (“GEM” or the “Firm”) was founded in 1999.

The Firm provides investment management services to individuals, pension and profit sharing plans, trusts, partnerships, estates, and charitable organizations. Advice is provided through consultation with the Client and may include: determination of financial objectives, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning. In general, the Firm seeks to provide their Clients with maximum after-tax, risk adjusted returns over long term time horizons consistent with the Clients' investment objectives.

Investment advice is an integral part of financial planning. In addition, the Firm advises Clients regarding cash flow, college planning, retirement planning, tax planning and estate planning.

Investment advice is provided on a non-discretionary basis, with the Client making the final decision on investment selection. The Firm does not act as a custodian of Client assets. The Client always maintains asset control. The Firm places trades for Clients under a limited power of attorney.

Certain of the Firm's Investment Advisory Representatives (“IARs”) may sell annuities, mutual funds or other commissioned products if such products are appropriate for their Clients. The IAR is paid cash commissions.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the Client on an as-needed basis. Conflicts of interest will be disclosed to the Client in the unlikely event they should occur.

## **Principal Owners**

The Firm is organized as a Massachusetts limited liability company. The Firm is owned equally by the following nine individuals: Diana Tefs Burns, Concetto Joseph Ciccarello, Michael D. Koppel, Neil D. Krug, Daniel C. Romano, Mark E. Kashgegian, James A. DeLeo, Michael L. Cecere, and Paul J. Gerry, Jr. Daniel C. Romano is the Managing Member of the Firm and is responsible for the day-to-day operations of the Firm.

## **Types of Advisory Services**

The Firm provides investment supervisory services, also known as asset management services. This means that the Firm provides its Clients with regular and continuous investment advice which is particularly tailored to that Client's investment needs.

On more than an occasional basis, the Firm furnishes advice to Clients on matters not involving securities, such as financial planning matters, taxation issues, and retirement planning services that often include 401(k) investment and planning.

As of December 31, 2010, the Firm managed approximately \$37,874,766 in assets for approximately 103 Client accounts. All accounts are managed on a non-discretionary basis.

### **Tailored Relationships**

GEM provides Investment Supervisory Services, defined as giving continuous advice to a Client or making investments for a Client based on the individual needs of the Client. Through personal discussions in which goals and objectives based on a Client's particular circumstances are established, GEM develops a Client's personal investment policy and creates and manages a portfolio based on that policy. GEM provides this service to individuals, pension and profit sharing plans, trusts, partnerships, estates, and charitable organizations. GEM will manage advisory accounts on a non-discretionary basis. Account supervision is guided by the stated objectives of the Client (i.e., maximum capital appreciation, asset protection, growth, income, or growth and income).

### **Types of Agreements**

The following agreements define the typical Client relationships. Agreements may not be assigned without Client consent.

#### **Investment Management Agreement**

GEM will provide Client portfolio construction, asset management, and monitoring which constitutes an ongoing process by which:

- (a) Client's investment objectives, constraints and preferences are identified and specified;
- (b) Strategies are developed and implemented through combination of financial assets;
- (c) Capital market conditions and Client circumstances are monitored; and
- (d) Portfolio adjustments are made as appropriate to reflect significant changes in any or all of the above relevant variables.

GEM will create a portfolio of no-load and load-waived mutual funds or other securities offered through 1st Global Capital Corp. ("1st Global"), a FINRA registered broker dealer with whom certain associated persons of GEM are licensed as registered representatives. GEM will allocate the Client's assets among various investments, including mutual funds, exchange traded funds and other securities, taking into consideration the overall management style selected by the Client. Clients will retain individual ownership of all securities.

Although the Investment Management Agreement is a continuing agreement, the length of service to the Client is at the Client's discretion. The Client or the Firm may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter

is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

### **Financial Planning and Consulting Agreement**

GEM provides to Clients specific or comprehensive financial plans depending on the Client's needs and circumstances. The financial plans provided could include college, retirement, insurance risk analysis, estate planning, budgeting and cash flow management.

Plans will be created based on personal discussion with Clients and information provided by them to us. These plans will incorporate the Client's goals and objectives and assist in determining how the Client can meet those goals and objectives. GEM creates these plans using proven financial planning software. GEM will meet with the Client on an as needed basis, or upon Client request, to review goals and objectives and determine if they are being met or need revisions. Changes in a Client's economic situation or goals may require more frequent meetings.

Since financial planning is a discovery process, situations occur wherein the Client is unaware of certain financial exposures or predicaments. In the event that the Client's situation is substantially different than disclosed at the initial meeting, a revised fee will be provided for mutual agreement. The Client must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.

### **Advisory Referral Services Agreement**

GEM acts as solicitor for a registered investment adviser (the "Adviser"). Based on a Client's individual circumstances and needs as well as a determination that the Client will benefit from the advisory services of the Adviser, GEM will refer the Client to the Adviser's portfolio management services. Factors considered in making this determination, including account size, risk tolerance, and a Client's investment experience, are discussed during a consultation between GEM and the Client.

GEM will meet with the Client upon Client request to review the account. GEM may, when needed, suggest changes to the Client's portfolio ("rebalancing"), to more effectively address each Client's goals. The Client may then instruct the Adviser to make any or all of the changes recommended by GEM. These recommendations are GEM's own, and are neither recommended nor approved by the Adviser. Although GEM may monitor and review accounts and may offer its guidance and recommendations to Clients, all final decisions regarding appropriate advisory services will be made by the Adviser.

At the time of conducting the advisory solicitation, GEM will ensure that all federal and / or state specific requirements governing solicitation activities shall be met.



GEM does not charge the Client any fees for referrals to the Adviser. Fees for such referrals are paid by the Adviser to GEM as a percentage of the fees the Adviser receives from the Client.

Client advisory fees are increased for those Clients who are referred by GEM to the Adviser to compensate GEM for its review and monitoring services as well as its final analysis and recommendations to Clients after referral.

### **Termination of Agreement**

Client may terminate their agreement with GEM within five (5) business days of signing their agreement without incurring any advisory fees. Furthermore, Client or GEM may terminate their agreement at any time and for any reason, upon thirty (30) days written notice to the other party.

Upon notice of termination, GEM will await further instructions from Client as to what steps Client requests to liquidate and / or transfer the portfolio and remit the proceeds. Upon instructions received, GEM will instruct brokers, dealers, mutual fund sponsors and others to liquidate and / or transfer the portfolio and remit proceeds to Client. A refund of GEM's unearned advisory fee will be made on a prorated basis as determined by GEM.

GEM can make no representation regarding puts, holds or other investment features that may limit a Client's ability to liquidate or transfer all or a portion of his / her portfolio.

## **Fees and Compensation**

### **General**

The Firm bases its fees on a percentage of assets under management, hourly charges, and occasionally fixed fees.

Some agreements may be priced based on the complexity of work, especially when asset management is not the most significant part of the relationship.

Financial plans are priced according to the degree of complexity associated with the Client's situation.

The Firm, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with Clients, etc.).

Lower fees for comparable services may be available from other sources.

**Advisory Fees**

The annual fee for investment supervisory services will be charged as a percentage of assets under management based on a negotiated rate of up to 1.25%, depending on the size of the assets under management. 1st Global will receive between 20% and 25% of the fee, depending on the nature and size of the account, for various administrative services.

The Advisory Fee does not include costs of certain fees and charges related to account services provided by the custodian.

**Financial Planning and Consulting Fees**

Clients have a choice on how they would like to be charged for their financial plans. GEM will either charge on an hourly or fixed fee basis. Fees will range from \$150 to \$325 per hour or \$2,500 to \$3,500 on a fixed fee basis. All fees will be billed as time incurred and no fees will be prepaid. If the Client would like to review the financial plan on a semi-annual or annual basis, they will also be billed as the time is incurred either on an hourly or fixed fee basis depending on the size of the plan. GEM may, in its sole discretion, waive its financial planning fee.

GEM may also conduct financial seminars for Clients. The fee for such seminars will vary according to the range of services to be provided.

**Fee Billing**

Client will be provided with an invoice that states the value of assets, fee calculation and amount to be withdrawn (to pay fees earned by GEM). Client will receive a statement from National Financial Services LLC, the custodian, reflecting the withdrawal of fees. It is the responsibility of the Client to verify the accuracy of the fee as neither the custodian nor GEM does so.

For transactions done through National Financial Services and 1st Global (broker-dealer of record), a portion of the transaction costs may be kept by 1st Global.

Clients will have a choice of having their account debited by 1st Global on a quarterly basis for the above mentioned fees or paying the fees separately out of other funds. In either case, the Client will receive notification indicating the amount of the advisory fee. All charges to the accounts will be remitted quarterly to GEM.

Clients are responsible for verifying fee computations, since custodians are not typically asked to perform this task. 1<sup>st</sup> Global will send Clients a quarterly statement showing all amounts paid from the account, including all management fees paid by the custodian to GEM.

On occasion, GEM may waive the asset management fee in lieu of a commission on shares being recommended.

Fees for financial plans are invoiced as services are rendered and are due upon receipt.

### **Other Fees and Expenses**

The fees charged by GEM are in addition to fees charged by any mutual fund in which a Client's funds may be invested. The mutual funds that make up the Client's portfolio will assess charges and fees at the fund level, including fees for investment management services and 12b-1 distribution charges. Clients may also be charged early redemption fees should fund holdings in the account be liquidated within a certain period of time, typically within 30 to 180 days dependent upon a fund company's policies.

Client will choose a default money market fund upon establishing the account. Cash received into the account will be automatically swept into the default money market account. Depending on the fund, there may be an annual asset based fee charged by the money market fund. The fees and charges of the fund will be listed in the fund's prospectus.

Hedge Funds will also be subject to underlying fund expenses including management and other servicing fees. The Client may be responsible for a repurchase fee, a percentage of the amount requested if the Client requests a distribution and has been invested in the Hedge Fund for less than a certain period of time. The Hedge Funds may also assess a performance fee. The fees and expenses of any structured product may change from offering to offering.

Custodians may charge transaction fees on purchases or sales of certain mutual funds, exchange-traded funds, stocks and bonds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

Client portfolios may also incur the following specific transaction costs:

- Portfolios shall bear equity and ETF transaction costs of no more than \$15.00 per trade.
- Client shall bear costs of \$15.00 on the vast majority of mutual fund trades; however, trades in some fund families will incur an additional charge of \$10.00 for a total of \$25.00 per transaction. The list of affected fund families include: Alliance Bernstein Offshore Funds; CGM; Mairs & Powers; DFA; Dodge & Cox; Fairholme; Longleaf Partners; Meridian; Sequoia and Vanguard (this list is subject to change at any time).
- Portfolios shall bear fixed income transaction costs of no more than \$39.50 per trade.
- Portfolios shall bear UIT transaction costs of no more than \$35.00 per trade.

- Portfolios shall bear foreign equity transaction costs of no more than \$90.00 per trade.

Transaction costs are not commissions; they are clearing costs charged by the designated clearing firm on the account and are subject to change at any time.

### **Expense Ratios**

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by you to the Firm.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

### **Past Due Accounts and Termination of Agreement**

The Firm reserves the right to stop work on any account that is more than 90 days overdue. In addition, the Firm reserves the right to terminate any financial planning engagement where a Client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in the Firm's judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded within 90 days.

## **Performance-Based Fees**

### **Sharing of Capital Gains**

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

The Firm does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the Client.

## **Types of Clients**

### **Description**

The Firm provides investment management services to individuals, partnerships, trusts, endowments, retirement plans and other legal entities.

Client relationships vary in scope and length of service.

**Account Minimums**

The Firm generally does not impose a minimum account size. The minimum account balance required to include an allocation to the Structured Investments is \$100,000.

**Methods of Analysis, Investment Strategies and Risk of Loss****Methods of Analysis**

The Firm has well established due diligence procedures which it uses in the selection of mutual funds that are used as investments on behalf of Clients. This analysis will be completed once a year, usually in late fall (September - November). From time to time a new fund may be added to the list (or sold) during the year after going through the analysis below.

If a previously selected fund does not meet any "three" of these criteria, it will be considered for sale and may not be used for any new Clients, unless it is a 1<sup>st</sup> Global fund. If a previously selected fund does not meet any "two" of these criteria, it will be watched during the current period for either improvement or continued decline. If the fund does not show any improvement or continues to decline, it may be sold at any time by the Firm after discussion with Client. In no case shall a fund not meet "three" of the criteria for more than three years (see selling a mutual fund below). In addition, any fund not meeting any "four" of the criteria below, will be sold immediately.

The Firm's primary analysis criteria is based upon Morningstar ratings, track record, experience of fund management team, level of internal expenses (less than industry average), size of the fund, and risk analysis. The Firm's secondary analysis criteria include the personal amounts the fund managers and board of directors have invested in the funds themselves, the strength, stability, reliability and compliance of the fund family's organization, recommendations of the fund by 1<sup>st</sup> Global, and a review of funds for any overlap.

**Investment Strategies**

The primary investment strategy for a specific Client is based upon the objectives stated by the Client during consultations. The Client may change these objectives at any time. Each Client executes an Investment Policy Statement ("IPS") that documents their objectives and desired investment strategy.

The Firm will develop a strategic asset allocation for each Client based upon the Client's investment objectives as developed through the completed Profile. GEM will allocate the Client's assets among various investments, including mutual funds, exchange traded funds, leasing programs, oil and gas programs, non-public REITs and other securities. The mutual funds will be

selected on the basis of any or all of the following criteria: the fund's performance history; the industry sector in which the fund invests; the track record of the fund's manager; the fund's investment objectives; the fund's management style and philosophy; and the fund's management fee structure. Portfolio weighting between funds and market sectors will be determined by each Client's individual needs and circumstances. Clients will have the opportunity to place reasonable restrictions on the types of investments which will be made on the Client's behalf.

If it is appropriate based upon a Client's investment objective and risk profile, the Client also has access to fund of funds hedge funds ("Hedge Funds") and a structured product ("Structured Investments"). The Hedge Funds will only be made available to qualified purchasers, qualified Clients or accredited investors as those terms are defined under applicable securities laws. The Hedge Funds will only be made available to those Clients with a moderate, growth or aggressive growth Profile based on the results of the Risk Profile Questionnaire.

A Client is limited to an investment in Hedge Funds of not more than 10% of stated net worth and 10% of the Client's account value. Furthermore, a maximum of 30% of a Client's portfolio may be allocated to Hedge Funds and Structured Investments. The rest of the account will be allocated to the appropriate portfolio type as determined by the Risk Assessment Questionnaire. The percentage allocated to each asset class within the portfolio type will be proportionately reduced by the percentage of the portfolio allocated to Hedge Funds and/or Structured Investments.

Special rebalancing considerations will be made for those accounts incorporating an allocation to the Hedge Funds and/or Structured Investments. Shares in the Hedge Funds are considered illiquid meaning that there are limited opportunities to redeem shares of the Hedge Funds. The Structured Investments is available in 1 to 5 year maturities. When rebalancing a Client's account, GEM will attempt to maintain the target allocation of the Hedge Funds and/or Structured Investments portion of the account. Due to the restrictions on sale of the Client's holdings of the Hedge Funds and the Structured Investments, however, it is likely that the portion of the Client's account allocated to the asset allocation model will, most of the time, be rebalanced independent of the Hedge Funds and/or Structured Investments portion of the account. The asset allocation model will be rebalanced back to the original target allocations of that model if it is not feasible for GEM to incorporate the Hedge Funds and/or Structured Investments into the equation. Once a Structured Investments matures, Client and IAR can make a determination as to the disposition of the funds and can rebalance the account at that time.

## **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Disciplinary Information**

### **Legal and Disciplinary**

The Firm and its employees have not been involved in legal or disciplinary events related to past or present investment Clients.

## **Other Financial Industry Activities and Affiliations**

### **Financial Industry Activities**

GEM is an investment adviser registered with the Securities and Exchange Commission. However, certain Investment Adviser Representatives ("IARs") and members of GEM are also licensed, practicing Certified Public Accountants with the firm of Gray, Gray & Gray LLP ("GG&G").

Daniel C. Romano, Managing Member of GEM, is principally responsible for providing advisory services on behalf of GEM. The majority of the members of GEM are fully dedicated to providing accounting services on behalf of GG&G.

GG&G may recommend GEM to accounting Clients in need of advisory services. GEM may recommend GG&G to advisory Clients in need of accounting and tax services. Accounting and tax services provided by GG&G are separate and distinct from advisory services of GEM and are provided for separate and typical compensation. There are no referral fee arrangements between GEM and GG&G for these recommendations. No GEM Client is obligated to use GG&G for any accounting services, and, conversely, no accounting Client is obligated to use the advisory services provided by GEM. Information concerning the Client will not be shared except in accordance with all applicable laws and regulations or as authorized by the Client.

Certain members and related persons of GEM are also members of Fuel Exchange, LLC, an affiliate of GG&G. Fuel Exchange, LLC is designed to match buyers and sellers of fuel related companies.

It is expected that Mr. Romano may spend as much as 30% of his time on these related activities. Other individuals associated with GEM, including Mr. Gerry, may spend as much as 70% to 80% of his time with all of these related activities.

### **Affiliations**

Certain IARs of the Firm are registered representatives of 1st Global Capital Corp. ("1st Global"), a registered broker-dealer, Member FINRA / SIPC. Clients are under no obligation to purchase or sell securities through the IARs. However, if they choose to implement the plan, commissions may be earned by the IARs in addition to any fees paid for advisory services.



Commissions may be higher or lower at 1st Global than at other broker-dealers. IARs may have a conflict of interest in having Clients purchase securities or insurance related products through 1st Global in that the higher their production with 1st Global the greater chance for obtaining a higher payout on commissions earned. Further, IARs are restricted to only offering those products and services that have been reviewed and approved for offering to the public through 1st Global.

Certain mutual funds in which a Client may invest may pay marketing fees, service fees, including shareholder service fees, 12b-1 fees to 1st Global for marketing services or the performance of certain administrative tasks associated with making an investment in such fund. These fees may also be retained by 1st Global and / or GEM.

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

### **Code of Ethics**

The employees of the Firm have committed to a Code of Ethics that is available for review by Clients and prospective Clients upon request. The Firm will provide a copy of the Code of Ethics to any Client or prospective Client upon request.

### **Participation or Interest in Client Transactions**

GEM or individuals associated with GEM may buy or sell securities identical to those recommended to customers for their personal accounts. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a Client.

It is the expressed policy of GEM that no person employed by GEM may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and therefore preventing such employees from benefitting from transactions placed on behalf of advisory accounts.

As these situations represent a conflict of interest, GEM has established the following restrictions in order to ensure its fiduciary responsibilities:

- 1) A member or employee of GEM shall not buy or sell securities for his / her personal portfolio(s) where his / her decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of GEM shall prefer his or her own interest to that of the advisory Client.

- 2) GEM maintains a list of all securities holdings for itself, and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate member of GEM.
- 3) GEM emphasizes the unrestricted right of the Client to decline to implement any advice rendered.
- 4) GEM requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- 5) Any individual not in observance with the above may be subject to termination.

### **Personal Trading**

The Chief Compliance Officer of the Firm is Daniel C. Romano. He reviews all employee trades each quarter. His trades are reviewed by James Branch. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that Clients of the Firm receive preferential treatment. Since most employee trades are small mutual fund trades or exchange-traded fund trades or stock trades, the trades do not affect the securities markets.

## **Brokerage Practices**

### **Selecting Brokerage Firms and Custodians**

GEM does not have the discretionary authority to determine the broker dealer to be used or the commission rates to be paid. Clients must direct GEM to the broker dealer to be used. In directing the use of a particular broker or dealer, it should be understood that GEM will not have authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to other Clients.

As previously discussed, certain members and associated persons of GEM are separately registered as representatives of 1st Global, a FINRA registered broker dealer. As a FINRA-registered broker dealer, 1st Global is required to supervise all trades placed by its registered representatives. Clients may request that brokerage transactions be directed to another broker or dealer. Should Clients insist on directing brokerage to another broker dealer, GEM will not be able to accept the account.

## **Best Execution**

The Firm reviews the execution of trades at each custodian on a periodic basis. The review is documented in the Firm's *Compliance Manual*. Trading fees charged by the custodians is also reviewed on a quarterly basis. The Firm does not receive any portion of the trading fees.

All trades will be referred to 1st Global for execution. 1st Global or National Financial Services LLC., the Client's custodian, transmits customer orders for execution to various exchanges or market centers based on a number of factors. These include size of order, trading characteristics of the security, favorable execution prices (including the opportunity for price improvement), access to reliable market data, availability of efficient automated transaction processing and reduced execution costs through price concessions from the market centers. Certain of the market centers may execute orders at prices superior to the publicly quoted market in accordance with their rules or practices. While a Client may specify that an order be directed to a particular market center for execution, the order-routing policies, taking into consideration all of the factors listed above, are designed to result in favorable transaction processing for Clients. Commissions may be higher or lower at 1st Global.

GEM or its delegate monitors the execution of trades to make sure they are competitive in the marketplace.

## **Order Aggregation**

Most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any Client benefit.

Transactions for each Client generally will be effected independently, unless the Firm decides to purchase or sell the same securities for several Clients at approximately the same time. The Firm may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among the Firm's Clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among the Firm's Clients pro rata to the purchase and sale orders placed for each Client on any given day. The Firm will not receive any additional compensation as a result of the aggregation of orders.

## **Review of Accounts**

### **Periodic Reviews**

GEM reviews advisory accounts on a continuous basis and more thoroughly on a quarterly basis. More frequent reviews and meetings may be triggered by changes in variables such as market, political or economic circumstances, or changes in Client's individual circumstances. Reviews will be conducted

by Daniel C. Romano and James Branch, licensed investment adviser representatives of GEM.

GEM will review financial plans upon Client request. More frequent reviews may be necessary depending on economic changes to Clients. Reviews will be conducted by Daniel C. Romano, Managing Member of GEM, and /or Paul Gerry and James Branch, investment adviser representatives of GEM.

### **Review Triggers**

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a Client's own situation.

### **Regular Reports**

Monthly reports and confirmations of all transaction history will be received by Clients from 1st Global. Clients will receive quarterly reports from GEM.

GEM will produce various financial reports for financial planning Clients depending on the Client needs. These reports, produced from information provided by the Client, will be sent to and reviewed with the Clients as requested by the Client.

## **Client Referrals and Other Compensation**

### **Incoming Referrals**

GEM does not pay for Client referrals.

### **Referrals Out**

GEM offers the advisory services of the Adviser for referral fees and for doing so receives a portion of the advisory fees paid by the Client to the Adviser. The payment of referral fees by the Adviser to GEM does increase a Client's advisory fees. The increase in fees is reflected in the compensation GEM receives for its review and monitoring of Client accounts together with its analysis and recommendations for those accounts.

### **Other Compensation**

Certain Advisory Representatives of GEM may be registered with 1st Global Advisors, Inc., a registered investment advisor and sister company to 1st Global. Therefore, Advisory Representatives may maintain multiple registrations with investment advisors and with a broker dealer. Advisory Representatives will offer those advisory programs made available through 1st Global Advisors. Clients will be provided with a copy of 1st Global Advisors' Form ADV that discloses the advisory programs and fee schedules. Clients participating in 1st Global Advisors' programs will result in a portion of the advisory fee being paid to the 1st Global Advisors' Representative who may be an advisory representative of GEM and may receive a fee for financial

planning. Financial planning fees will be in addition to any other compensation received by the Advisor Representatives unless waived by GEM in its sole discretion.

## **Custody**

### **Account Statements**

National Financial Services LLC maintains actual custody of the Client's assets. Clients will receive account statements directly from the custodian at least quarterly. They will be sent to the email or postal mailing address the Client provided to the custodian. Clients should carefully review those statements promptly.

## **Investment Discretion**

### **Discretionary Authority for Trading**

The Firm does not accept discretion to trade in a Client's account.

## **Voting Client Securities**

### **Proxy Votes**

The Firm will not vote proxies on securities on behalf of Clients.

### **Class Actions**

The Firm does not advise or act for Clients in any legal proceedings, including bankruptcies or class actions, involving securities held or previously held by the Account or the issuers of these securities

## **Financial Information**

### **Financial Condition**

The Firm does not have any financial impairment that will preclude the Firm from meeting contractual commitments to Clients.

A balance sheet is not required to be provided because the Firm does not serve as a custodian for Client funds or securities, and does not require prepayment of fees of more than \$1,200 per Client, and six months or more in advance.

# **Business Continuity Plan**

## **General**

The Firm has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

## **Disasters**

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

# **Information Security Program**

## **Information Security**

The Firm maintains an information security program to reduce the risk that your personal and confidential information may be breached.

## **Privacy Notice**

The Firm is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that The Firm collects from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, and information about transactions between you and third parties. The Firm will use this information to help you meet your personal financial goals.

With your permission, the Firm will disclose limited information to attorneys and accountants with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, the Firm may share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

The Firm maintains a secure office to ensure that your information is not placed at unreasonable risk. The Firm employs a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

The Firm does not provide your personal information to mailing list vendors or solicitors. The Firm requires strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and

state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a Client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

The Firm will notify you in advance if our privacy policy is expected to change. The Firm is required by law to deliver this *Privacy Notice* to you annually, in writing.

## Brochure Supplement (Part 2B of Form ADV)

### Education and Business Standards

The Firm requires that advisors in its employ have a bachelor's degree and further coursework demonstrating knowledge of financial planning and tax planning. Examples of acceptable coursework include: an MBA, a CFP®, a CFA, a ChFC, JD, CTFA, EA or CPA. Additionally, advisors must have work experience that demonstrates their aptitude for financial planning and investment management.

Massachusetts law (Section 203A) requires advisers to disclose information on disciplinary history and the registration of the adviser and its associated persons. This information may be obtained via the U.S. Securities and Exchange Commission public disclosure website at [www.sec.gov/checkoutbrokersandadvisers](http://www.sec.gov/checkoutbrokersandadvisers), by phone at (202) 942-8090 or the Massachusetts Securities Division, One Ashburton Place, 17<sup>th</sup> Floor, Boston, Massachusetts 02108.

### Professional Certifications

Employees have earned certifications and credentials that are required to be explained in further detail.

**Certified Public Accountant (CPA)** CPAs are licensed and regulated by their state boards of accountancy. While state laws and regulations vary, the education, experience and testing requirements for licensure as a CPA generally include minimum college [education](#) (typically 150 credit hours with at least a baccalaureate degree and a concentration in accounting), minimum [experience](#) levels (most states require at least one year of experience providing services that involve the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills, all of which must be achieved under the supervision of or verification by a CPA), and successful passage of the Uniform CPA Examination. In order to maintain a CPA license, states generally require the completion of 40 hours of continuing professional education (CPE) each year (or 80 hours over a two year period or 120 hours over a three year period). Additionally, all American Institute of Certified Public Accountants (AICPA) members are required to follow a rigorous *Code of Professional Conduct* which requires that they act with integrity, objectivity, due care, competence, fully disclose any conflicts of interest (and obtain client consent if a conflict exists), maintain client confidentiality, disclose to the client any commission or referral fees, and serve the public interest when providing financial services. The vast majority of state boards of accountancy have adopted the AICPA's *Code of*



*Professional Conduct* within their state accountancy laws or have created their own.

The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with Clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and Client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain

competence and keep up with developments in the financial planning field; and

- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The *Standards* prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their Clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

Personal Financial Specialist (PFS): A PFS is a certified public accountant (CPA) who also offers financial planning services. The title is authorized by the American Institute of Certified Public Accountants (AICPA) after the completion of a review process that involves an exam and recommendations from Clients and colleagues. The designation also requires a minimum of three years of financial planning experience.

Chartered Financial Consultant (ChFC): A ChFC is a professional designation representing completion of a comprehensive course consisting of financial education, examinations and practical experience. Chartered Financial Consultant designations are granted by The American College upon completion of seven required courses and two elective courses. Those who earn the designation are understood to be knowledgeable in financial matters and to have the ability to provide sound advice. In order to be considered for the program, the applicant must already have a minimum of three years working in the financial industry. In addition, it is recommended that applicants have a degree related to finance or business before applying as it will make the program much easier.

## **DANIEL CHARLES ROMANO, CPA, PFS**

Born 1960

Educational Background:

- B.S., Accounting, Northeastern University, Boston, MA, 1983

Business Experience:

- Managing Member, Chief Compliance Officer, Gray Equity Management LLC, Westwood, MA, 04/1999 to Present
- Partner, Gray, Gray & Gray, LLP, Westwood, MA, 01/1985 to Present
- Registered Representative, 1st Global Capital Corp., Westwood, MA, 04/1997 to Present

Additional Compensation: None

Supervision:

As disclosed, Mr. Romano is the senior executive officer associated with the Firm. As such, Mr. Romano is the senior officer responsible for all supervisory activities of the Firm.

Mr. Romano's contact information:

(781) 407-0300

dromano@grayequitymanagement.com

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None

**PAUL JOSEPH GERRY, JR., CPA, PFS**

Born 1959

Educational Background:

- B.S., Accounting, University of South Florida, Tampa, FL, 1987

Business Experience:

- Member, Gray Equity Management LLC, Westwood, MA, 02/2008 to Present
- Partner, Gray, Gray & Gray, LLP, Westwood, MA, 02/2008 to Present
- Investment Adviser Representative, 1st Global Advisors, Inc., Westwood, MA, 09/2000 to Present
- Registered Representative, 1st Global Capital Corp., Westwood, MA, 12/1999 to Present
- Member, Patterson & Gerry CPA, LLC, Framingham, MA, 12/1998 to 01/2008

Additional Compensation: None

Supervision:

Mr. Gerry is supervised by Daniel Romano, the Chief Compliance Officer. Mr. Romano reviews Mr. Gerry's work through frequent office interactions as well as remote interactions. Mr. Romano also reviews Mr. Gerry's activities through our Client relationship management system.

Mr. Romano's contact information:

(781) 407-0300

dromano@grayequitymanagement.com

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None

**JAMES ELLIOTT BRANCH, CFP, ChFC**

Born 1954

**Educational Background:**

- Attended Indiana University School of Law, Bloomington, IN, 1976-1977
- B.A., History, Indiana University, Bloomington, IN, 1976

**Business Experience:**

- Investment Adviser Representative, Gray Equity Management LLC, Westwood, MA, 03/2008 to Present
- Registered Representative, 1st Global Capital Corp., Westwood, MA, 06/2004 to Present
- Investment Adviser Representative, 1st Global Advisors, Inc., Westwood, MA. 06/2004 to Present

Additional Compensation: None

**Supervision:**

Mr. Branch is supervised by Daniel Romano, the Chief Compliance Officer. Mr. Romano reviews Mr. Branch's work through frequent office interactions as well as remote interactions. Mr. Romano also reviews Mr. Branch's activities through our Client relationship management system.

Mr. Romano's contact information:  
(781) 407-0300  
dromano@grayequitymanagement.com

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None