

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 86738 / August 22, 2019**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-16554**

---

**In the Matter of**

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

**Respondents.**

---

**NOTICE OF PROPOSED PLAN  
OF DISTRIBUTION AND  
OPPORTUNITY FOR  
COMMENT**

Notice is hereby given, pursuant to Rule 1103 of the United State Securities and Exchange Commission's ("Commission") Rules on Fair Fund and Disgorgement Plans ("Commission's Rules"), 17 C.F.R. § 201.1103, that the Division of Enforcement has submitted to the Commission a proposed plan of distribution (the "Plan") for the distribution of monies paid in the above-captioned matter.

On November 22, 2017, the Commission settled proceedings instituted on May 21, 2015<sup>1</sup> and issued an Order Making Findings and Imposing Remedial Sanctions and Cease-and-Desist Order against the Respondents (the "Order")<sup>2</sup> Gray Financial Group, Inc. ("Gray Financial"), Lawrence O. Gray ("Gray"), and Robert C. Hubbard, IV ("Hubbard") (collectively, the "Respondents").

In the Order, the Commission found that between July 2012 and August 2013, Gray Financial, its Founder, Gray, and co-CEO, Hubbard, recommended, offered, and sold investments in a Gray Financial proprietary fund of funds, GrayCo Alternative Partners II, LP ("GrayCo Alt. II") to four Georgia public pension clients, despite the fact that they knew, were reckless in not knowing, or should have known that these investments did not comply with certain restrictions on alternative investments imposed by Georgia law. In addition, in October 2012, when recommending GrayCo Alt. II to one of their clients, Gray Financial and Gray made specific material misrepresentations concerning the investment's compliance with the Georgia law and the number and identity of prior investors in GrayCo Alt. II.

---

<sup>1</sup> Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Section 21C of the Securities Exchange Act of 1934, Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940, Securities Act Rel. No. 9789 (May 21, 2015).

<sup>2</sup> Advisers Act Rel. No. 4812 (Nov. 22, 2017).

As a result of the conduct described in the Order, the Commission ordered: Gray and Gray Financial to pay, jointly and severally, disgorgement of \$224,071 and prejudgment interest of \$27,227.72; Gray to pay a civil penalty of \$150,000; and Hubbard to pay a civil penalty of \$75,000. In the Order, the Commission established a fair fund, pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, so that the civil penalty, along with the disgorgement and prejudgment interest, can be distributed to harmed investors (the “Fair Fund”).

The Fair Fund is comprised of the \$476,298.72 paid by the Respondents.

The Fair Fund is subject to the continuing jurisdiction and control of the Commission and has been deposited at the United States Department of Treasury’s Bureau of the Fiscal Service in an interest-bearing account.

### **OPPORTUNITY FOR COMMENT**

Pursuant to this Notice, all interested persons are advised that they may obtain a copy of the Plan from the Commission’s public website at <http://www.sec.gov/litigation/fairfundlist.htm>. Interested persons may also obtain a written copy of the Plan by submitting a written request to Noel Gittens, United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-5876. All persons who desire to comment on the Plan may submit their comments, in writing, no later than thirty (30) days from the date of this Notice:

1. to the Office of the Secretary, United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090;
2. by using the Commission’s Internet comment form (<http://www.sec.gov/litigation/admin.shtml>); or
3. by sending an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov).

Comments submitted by email or via the Commission’s website should include “Administrative Proceeding File No. 3-16554” in the subject line. Comments received will be publicly available. Persons should submit only information they wish to make publicly available.

## **THE PLAN**

The Net Fair Fund<sup>3</sup> is comprised of the \$476,298.72 in disgorgement, prejudgment interest, and civil money penalties paid by the Respondents, minus the Reserve. The Plan proposes to distribute the Net Fair Fund to investors who were harmed as a result of the Respondents' material misrepresentations and who suffered harm as calculated by the methodology described in paragraph 10 of the Plan.

For the Commission, by its Secretary, pursuant to delegated authority.

Vanessa A. Countryman  
Secretary

---

<sup>3</sup> All capitalized terms used herein but not defined shall have the same meanings ascribed to them in the Plan.