

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 91255 / March 4, 2021**

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

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<b>In the Matter of</b>	:	<b>ORDER AUTHORIZING THE TRANSFER</b>
	:	<b>TO THE U.S. TREASURY OF THE</b>
<b>Gray Financial Group, Inc., Laurence</b>	:	<b>REMAINING FUNDS AND ANY FUNDS</b>
<b>O. Gray, and Robert C. Hubbard, IV</b>	:	<b>RETURNED TO THE FAIR FUND IN THE</b>
	:	<b>FUTURE, DISCHARGING THE FUND</b>
<b>Respondents.</b>	:	<b>ADMINISTRATOR, AND TERMINATING</b>
	:	<b>THE FAIR FUND</b>

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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 (the “Order”)<sup>2</sup> against Gray Financial Group, Inc. (“Gray Financial”), Laurence 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 fund clients (“Pension Funds”), 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.

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 to the Commission. 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 penalties, along with the disgorgement and prejudgment interest, could be distributed to harmed investors (the “Fair Fund”).

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<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).

The Respondents paid a total of \$476,298.72 pursuant to the Order, comprising the Fair Fund, which was deposited in an interest-bearing account at the United States Treasury Department's Bureau of the Fiscal Service. The assets of the Fair Fund are subject to the continuing jurisdiction and control of the Commission.

On August 22, 2019, the Secretary, pursuant to delegated authority, published a Notice of Proposed Plan of Distribution and Opportunity for Comment (the "Notice")<sup>3</sup> pursuant to Rule 1103 of the Commission's Rules on Fair Fund and Disgorgement Plans.<sup>4</sup> The Notice advised interested parties that they could obtain a copy of the proposed Plan of Distribution (the "Plan") from the Commission's public website at <http://www.sec.gov/litigation/fairfundlist.htm> or by submitting a written request to Noel Gittens, United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-5876.

The Notice also advised that all persons desiring to comment on the Plan could submit their comments, in writing, no later than thirty (30) days from the publication of the 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). The Commission received no comments on the Plan during the comment period. On October 10, 2019, the Secretary, pursuant to delegated authority, issued an order approving the Plan,<sup>5</sup> and simultaneously posted the approved Plan.

The Plan appointed Noel Gittens, a Commission employee, as the Fund Administrator to oversee the administration and distribution of the Fair Fund. The Plan set forth a methodology for allocating the Net Available Fair Fund comprised of the \$476,298.72 and accrued interest earned on the funds received, less taxes, fees, and expenses of administering the Plan. The Plan provided for the distribution of the Net Available Fair Fund to the four Georgia-based public-pension funds that invested in GrayCo Alt. II, for the consulting fees paid by them to Gray Financial (the "Eligible Investors"). Any funds remaining following distribution to Eligible Investors are to be transferred to the U.S. Treasury and the Fair Fund terminated, subject to the Commission's approval of the Fund Administrator's final accounting.

On January 6, 2020, the Commission issued an order directing the disbursement of \$224,071 from the Fair Fund to the Eligible Investors according to the methodology set forth in the Plan.<sup>6</sup> As ordered by the Commission, the Fund Administrator distributed a total of \$224,071 to the Eligible Investors from the Fair Fund fully compensating each Eligible Investor for the harm they suffered as a result of the Respondents' conduct.

The Fair Fund earned \$15,763.97 in interest for a total of \$492,062.69; and paid state and federal taxes of \$5,137.36, investment/bank fees of \$25.87, and tax administration expenses of \$6,914.07. The Fair Fund currently has a remaining balance of \$255,914.39, which is comprised

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<sup>3</sup> Exchange Act Rel. No. Securities Act Rel. No. 86738 (Aug. 22, 2019).

<sup>4</sup> 17 C.F.R. § 201.1103.

<sup>5</sup> Order Approving Plan of Distribution, Exchange Act. Rel. No. 87284 (Oct. 28, 2019).

<sup>6</sup> Order Directing Disbursement of Fair Fund, Exchange Act Rel. No. 87895 (Jan. 6, 2020).

of the prejudgment interest and civil money penalties paid by Respondents, and accumulated interest.

The Plan provides that the Fair Fund is eligible for termination and the Fund Administrator discharged after all of the following have occurred: (a) the final accounting has been submitted by the Fund Administrator for approval, and has been approved by the Commission; and (b) all taxes, fees, and expenses have been paid.

The Commission staff has confirmed that the Plan has been fully implemented in accordance with the Commission's orders, and has verified that all taxes, fees, and expenses have been paid. The final accounting, which was submitted to the Commission for approval, as required by Rule 1105(f) of the Commission's Rules, 17 C.F.R. § 201.1105(f), and as set forth in the Plan, has been approved.

Accordingly, it is ORDERED that:

- A. The remaining funds in the amount of \$255,914.39, and any funds returned to the Fair Fund in the future, shall be transferred to the U.S. Treasury, subject to Section 21F(g)(3) of the Securities Exchange Act of 1934, 15 U.S. Code § 78u-6(g)(3);
- B. The Fund Administrator, Noel Gittens, is discharged; and
- C. The Fair Fund is terminated.

By the Commission.

Vanessa A. Countryman  
Secretary