

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES AND EXCHANGE ACT OF 1934
Release No. 87284 / October 10, 2019

ADMINISTRATIVE PROCEEDING
File No. 3-16554

In the Matter of

Gray Financial Group, Inc., Laurence
O. Gray, and Robert C. Hubbard, IV,

Respondents.

ORDER APPROVING
PLAN OF DISTRIBUTION

On November 22, 2017, the Commission settled proceedings instituted on May 21, 2015¹, and issued an Order Making Findings and Imposing Remedial Sanctions and Cease-and-Desist Order (the “Order”)² against Gray Financial Group, Inc., Laurence O. Gray, and Robert C. Hubbard, IV (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.

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

The Respondents have paid a total of \$476,298.72 pursuant to the Order.

¹ 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).

² Advisers Act Rel. No. 4812 (Nov. 22, 2017).

The Fair Fund is 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 Commission published a Notice of Proposed Plan of Distribution and Opportunity for Comment (the "Notice")³ pursuant to Rule 1103 of the Commission's Rules on Fair Fund and Disgorgement Plans.⁴ The Notice advised interested persons 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. The Commission received no comments on the Plan during the comment period.

The Plan provides for the distribution of the Net Fair Fund⁵ 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.

The Division of Enforcement now requests that the Commission approve the Plan.

Accordingly, it is hereby ORDERED, pursuant to Rule 1104 of the Commission's Rules on Fair Fund and Disgorgement Plans,⁶ that the Plan is approved, and posted simultaneously with this order on the Commission's website at www.sec.gov.

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

Vanessa A. Countryman
Secretary

³ Exchange Act Rel. No. 86738 (Aug. 22, 2019).

⁴ 17 C.F.R. § 201.1103.

⁵ Capitalized terms used herein but not defined shall have the same meanings ascribed to them in the Plan.

⁶ 17 C.F.R. § 201.1104.