

GRAY INVESTMENT MANAGEMENT LLC

BROCHURE

This brochure provides information about the qualifications and business practices of Gray Investment Management LLC. If you have any questions about the contents of this brochure, please contact us at 484-947-6429 or by email at: mgray@gray-investment.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 Investment Management LLC is also available on the SEC's website at www.adviserinfo.sec.gov. Gray Investment Management LLC's CRD number is: 148610

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*Registration does not imply a certain level of
skill or training.*

Version Date: 8/17/2021

Item 2: Material Changes

The material changes in this brochure from Gray Investment Management LLC's last annual update filing on October 25, 2019 are described below. Material changes relate to Gray Investment Management LLC policies, practices or conflicts of interests only.

- The address of the firm is now changed from 150 N. Radnor Chester Road, Suite 200F, Radnor, PA 19087 to 306 Ellis Lane, West Chester, PA 19380 and the firm phone has changed to 484-947-6429.

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Item 4: Advisory Business

A. Description of the Advisory Firm

This firm has been in business since 1/04/2009, and the principal owner is Michael Kennedy Gray.

B. Types of Advisory Services

Gray Investment Management LLC (hereinafter "GIM") offers the following services to advisory clients:

Investment Supervisory Services

GIM offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. GIM creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels) and then constructs a plan (the Investment Policy Statement) to aid in the selection of a portfolio that matches each client's specific situation. Investment Supervisory Services include, but are not limited to, the following:

Investment strategy	Personal investment policy
Asset allocation	Asset selection
Risk tolerance	Regular portfolio monitoring

GIM evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. GIM will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

Client portfolios are invested in Core Positions, Focused Positions or Special Situation Investments. Core Positions normally consist of fixed income securities, risk arbitrage positions, preferred stock, or common stock. Typically, Core Positions have lower volatility than the S&P 500 and are designed to produce relatively stable low returns. There is always a potential for loss even in Core Positions (for example credit risk in a fixed income instrument), but the intent is to limit risk of large losses.

The potential for significant capital appreciation is provided by Focused Positions in the portfolio. Focused Positions include investments in instruments with significant upside potential due to limited availability, access restrictions or publicly traded instruments that GIM feels are undervalued relative to their upside potential and risk. Core Positions and Focused Positions are subject to a fee schedule described in Item 5 of this ADV 2A.

Special Situation Investments may include initial public offerings, mutual bank conversions, private equity offerings, or any other investment requiring customized research or trading strategies. Special Situation investments are available only to clients meeting the definition of a Qualified Investor. Fees for Special Situation investments include a base fee and a performance fee.

Performance Based Fees

GIM will charge a "Performance Fee" to qualified clients for assets managed as special situation investments. Special situation investments shall include investments that involve initial public offerings, private equity placements, mutual bank conversions, or any other investments that require specific access, information, customized research or trading strategies.

Rule 205-3 of the Investment Advisers Act of 1940, as amended (the "Advisers Act") permits an investment adviser to enter into a performance fee agreement with certain clients who have the capacity to bear the potential additional risks of such a fee arrangement (referred to as "Qualified Clients" or "Qualified Purchasers"). Qualified Clients are natural persons that have either at least \$1,000,000 under management with us immediately after entering into this Agreement or a net worth at the time of this Agreement in excess of \$2,000,000 exclusive of residence (a natural person's net worth may include assets held jointly with a spouse). Qualified Purchasers may also be charged performance-based fees. A Qualified Purchaser is a natural person that owns not less than \$5,000,000 in investments (can include spousal assets), is an entity that owns not less than \$5,000,000 in investments, is a Trust whose trustee or authorized person to make decisions with respect to the trust and each settlor or other person who has contributed assets to the trust is a qualified purchaser and the trust was not formed specifically to acquire the securities offered. GIM acknowledges and understands that the Performance Fee may be an incentive for use to make investments that are riskier or more speculative than would be the case absent the Performance Fee. GIM will act in the best interest of the client and follow the guidelines of each investor's Investment Policy Statement

Rebalancing

The percentage weighting assigned to each asset class within Client portfolios can and will vary. The percentage weighting for each asset class will be allowed to vary within reasonable ranges depending upon market conditions. If rebalancing is required, investment yield and net cash flows will be used to meet the strategic asset allocation targets. If cash flow is insufficient to meet the target allocation for any asset class, GIM will review the situation in consultation with the client and decide whether to effect transactions in order to rebalance the asset allocation.

Financial Planning

Financial plans and financial planning may include but are not limited to: investment planning; life insurance; tax concerns; retirement planning; education planning; debt/credit planning; and review of external managers and overall portfolio for potential clients.

Services Limited to Specific Types of Investments

GIM does not limit its investment advice and/or money management to specific types of investments or securities. GIM may use a variety of securities to help diversify a portfolio when applicable.

C. Client Tailored Services and Client Imposed Restrictions

Client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent GIM from properly servicing the client account, or if the restrictions would require GIM to deviate from its standard suite of services, GIM reserves the right to end the relationship.

ID. Wrap Fee Programs

GIM does not participate in any wrap fee programs.

IE. Amounts Under Management

GIM has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$ 19,611,673.00	\$0.00	June 30, 2021

Item 5: Fees and Compensation

A. Fee Schedule

Investment Supervisory Services Fees

Total Assets Under Management	Annual Fee
\$1 - \$1,000,000	2.00%
\$1,000,001 - \$3,000,000	1.50%
\$3,000,001 - \$5,000,000	1.00%
Above \$5,000,000	0.85%

These fees are negotiable and the final fee schedule will be attached as Exhibit II of the Investment Advisory Contract. Clients may terminate their accounts without penalty, for full refund, within 5 business days of signing the advisory contract. Fees are paid quarterly in advance, and clients may terminate their account with thirty days written notice. Refunds will be given on a prorated basis, based on the number of days remaining in a quarter at the point of termination. All termination requests will be honored and assets returned within fourteen days of receipt of termination request.

GIM will withdraw advisory fees directly from the client's accounts with a qualified custodian only with written authorization from the client. GIM will send the qualified custodian written notice of the amount of the fee to be deducted from the client's account. GIM also sends the client a written invoice itemizing the fee, including any formulas used to calculate the fee, the time period covered by the fee, and the amount of assets under management on which the fee was based. Lower fees for comparable services may be available from other sources.

Performance Based Fees

GIM will be compensated based on an asset-based management fee of 2.00% for Special Situation Investments under management. In addition, qualified investors will be charged a performance-based fee of 20% of net profits for the year on special situation investments. Fees are only charged based upon a high-water mark established at the inception of the account. A previous period's losses must be offset before a fee is charged. A previous period is defined as the prior calendar year or partial calendar year in which the account was established. The performance fee is charged on the amount by which the ending value of the Special Situation Investments exceeds the beginning value of the Special Situation Investments for each calendar year adjusted for any additions or withdrawals of funds by the Client.

For the purpose of calculating the Performance Fee, the beginning value of the Special Situation Investments shall be the Special Situation Investments value as of the

beginning of the calendar year (e.g., January 1) or the date thereafter on which the Special Situation Investments were established. The ending value of the Special Situation Account shall be the Special Situation Investments value as of the end of the calendar year (e.g., December 31) or the date prior on which the Special Situation Investments were terminated.

Performance Based Fees can only be utilized by individuals or entities who meet the following qualifications:

- i.) A natural person that immediately after entering into the contract has at least \$1,000,000 under the management of the investment adviser; or
- ii.) A natural person who GIM reasonably believes, immediately prior to entering into the contract, has a net worth (together, in the case of a natural person, with assets held jointly with a spouse) of more than \$2,000,000 at the time the contract is entered into.
- iii.) A natural person who owns not less than \$5,000,000 in investments (spousal assets included).
- iv.) An entity that owns not less than \$5,000,000 in investments.
- v.) A Trust whose trustee or authorized person to make decisions with respect to the trust and each settlor or other person who has contributed assets to the trust is a qualified purchaser and the trust was not formed specifically to acquire the securities offered.

No Performance Fee will be charged in any year that the Special Situation Investments' value for the period covered does not exceed that of the Special Situation Investments starting value for the period covered adjusted for funds withdrawn or added to the Special Situation Investments including the payment of any fees or commissions. Once a Performance Fee has been paid to GIM for any period, GIM shall retain such Performance Fee notwithstanding subsequent losses in the Special Situation Investments.

In addition, assets managed in a Special Situation Account shall pay, in advance, an asset management fee ("Base Fee") of 0.5% of the value of assets under management at the start of each fiscal quarter. Base Fees will be paid at the beginning of each quarter (e.g., January 1, April 1, July 1, and October 1) or the date at which the Special Situation Investments are established and prorated for the number of days remaining in the first quarter. Base Fees are paid quarterly in advance, and clients may terminate their account with thirty days written notice. Refunds will be given on a prorated basis, based on the number of days remaining in a quarter at the point of termination. A termination request will be honored and assets delivered to the client within fourteen days of receipt.

Financial Planning Fees

Hourly Fees

The hourly fee for these services is \$150. The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement.

Clients may terminate the agreement without penalty, for full refund of GIM's fees, within five business days of signing the Financial Planning Agreement. Thereafter, clients may terminate the Financial Planning Agreement with upon written notice.

B. Payment of Fees

Payment of Investment Supervisory Fees

Advisory fees are withdrawn directly from the client's accounts with client written authorization. Fees are paid quarterly in advance.

Payment of Performance Based Fees

Performance based fees are paid annually in arrears.

Payment of Financial Planning Fees

Fixed or Hourly Financial Planning fees are paid via cash, check, or wire. Fees are paid quarterly in advance.

C. Clients Are Responsible For Third Party Fees

Clients are responsible for the payment of all third-party fees (i.e. custodian fees, mutual fund fees, transaction fee etc.). Those fees are separate and distinct from the fees and expenses charged by GIM. Please see Item 12 of this brochure regarding broker/custodian.

D. Prepayment of Fees

GIM collects fees in advance and in arrears. Base Fees are paid quarterly in advance, and clients may terminate their account with thirty days written notice. Refunds will be given on a prorated basis, based on the number of days remaining in a quarter at the point of termination. Termination requests will be honored and assets will be returned within fourteen days of receipt.

E. Outside Compensation For the Sale of Securities to Clients

Neither GIM nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.

Item 6: Performance-Based Fees and Side-By-Side Management

GIM accepts performance-based fees, fees based on a share of capital gains on or capital appreciation of the assets of a client

GIM will be compensated based on an asset-based management fee of 2.00% for all Special Situation Investments under management. In addition, qualified investors will be charged a performance-based fee of 20% of net profits for the year on special situation investments. Fees are only charged based upon a high water mark since the inception of the account - a previous period's losses must be offset before a fee is charged. The performance fee is charged on the amount by which the ending value of the Special Situation Investments exceeds the beginning value of the Special Situation Investments for each calendar year adjusted for any additions or withdrawals of funds by the Client.

Clients that are paying a performance-based fee should be aware that investment advisors have an incentive to invest in riskier investments when paid a performance based fee due to the higher risk/higher reward attributes.

Item 7: Types of Clients

GIM generally provides investment advice to the following Types of Clients:

- Individuals
- High-Net-Worth Individuals
- Pension and Profit Sharing Plans
- Corporations or Business Entities

Minimum Account Size

There is an account minimum, \$5,000, which may be waived by the investment advisor, based on the needs of the client and the complexity of the situation.

Item 8: Methods of Analysis, Investment Strategies and Risk, of Investment Loss

A. Methods of Analysis and Investment Strategies

GIM's methods of analysis include fundamental and technical analysis.

Fundamental analysis involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

Technical analysis involves the analysis of past market data; primarily price and volume.

Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

B. Material Risks Involved

GIM uses Long Term, Short Term, Trading, Short Sales, Margin Transactions, leveraged ETFs, Options Writing including covered options, uncovered options, or spreading strategies, bank conversions and private equity participation in public equity.

GIM utilizes investment strategies that are designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

C. Risks of Specific Securities Utilized

GIM generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets.

Investments can involve the use of leveraged ETFs, IPOs, Mutual Bank conversions, investments with limited access and private securities.

Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

Item 9: Disciplinary Information

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business or the integrity of our management.

Item 10: Other Financial Industry Activities and Affiliations

A. Registration as a Broker/Dealer or Broker/Dealer Representative

Neither GIM nor its representatives are registered as a broker/dealer or as representatives of a broker/dealer.

B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor

Neither GIM nor its representatives are registered as a FCM, CPO, or CTA.

C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests

Neither GIM nor its representatives have outside business activity other than this firm.

D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections

GIM does not utilize nor select other advisors or third-party managers. All assets are managed by GIM management.

Item 11: Code of Ethics, Participation in Transactions, Personal Trading

A. Code of Ethics

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Clients may request a copy of our Code of Ethics from management.

B. Recommendations Involving Material Financial Interests

GIM is the General Partner of a pooled investment vehicle that is currently unfunded with a de minimus account value of roughly \$100. All assets were previously distributed to the limited partners. GIM does not solicit clients to invest in this vehicle and there are no limited partners.

C. Investing Personal Money in the Same Securities as Clients

From time to time, representatives of GIM may buy or sell securities for themselves that they also recommend to clients. GIM will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

D. Trading Securities At/Around the Same Time as Clients' Securities

From time to time, representatives of GIM may buy or sell securities for themselves at or around the same time as clients. GIM will not trade securities prior to its clients in a manner that could be construed as "front running" on either the buy side or the sell side.

Item 12: Brokerage Practices

A. Factors Used to Select Custodians and/or Broker/Dealers

The Custodian is highly recommended based on their relatively low transaction fees and access to mutual funds and ETFs. GIM will never charge a premium or commission on transactions, beyond the actual cost imposed by Custodian.

1. Research and Other Soft-Dollar Benefits

GIM receives no research, product, or service other than execution from a broker-dealer or third-party in connection with client securities transactions ("soft dollar benefits").

2. Brokerage for Client Referrals

GIM receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

3. Clients Directing Which Broker/Dealer/Custodian to Use

GIM allows clients to direct brokerage. GIM may be unable to achieve most favorable execution of client transactions if clients choose to direct brokerage. This may cost clients' money because without the ability to direct brokerage GIM may

not be able to aggregate orders to reduce transactions costs resulting in higher brokerage commissions and less favorable prices.

B. Aggregating (Block) Trading for Multiple Client Accounts

GIM maintains the ability to block trades purchases across accounts but will rarely do so. While block trading may benefit clients buy purchasing larger blocks in groups, we do not feel that the clients are at a disadvantage due to the best execution practices of our custodian.

Item 13: Reviews of Accounts

A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews

Client accounts are reviewed at least quarterly by Michael Gray. He is the chief advisor and are instructed to review clients' accounts with regards to their investment policies and risk tolerance levels. All accounts at IA are assigned to these reviewers.

B. Factors That Will Trigger a Non-Periodic Review of Client Accounts

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

C. Content and Frequency of Regular Reports Provided to Clients

Each client will receive a monthly written report detailing the clients account performance, which comes from the custodian.

Item 14: Client Referrals and Other Compensation

A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)

GIM does not receive any economic benefit, directly or indirectly from any third party for advice rendered to GIM clients.

B. Compensation to Non -Advisory Personnel for Client Referrals

GIM does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

Item 15: Custody

GIM with client written authority has limited custody of client's assets through direct fee deduction of GIM's Fees only. If the client chooses to be billed directly by the Custodian, GIM would have constructive custody over that account and must have written authorization from the client to do so. Clients will receive all required account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy. Additionally, GIM attests that a single fund client with a \$100,000 investment in the fund, has signed and delivered a standing letter of authorization ("SLOA") to GIM's qualified custodian in accordance with all SLOA requirements imposed by the Pennsylvania Department of Banking and Securities.

Item 16: Investment Discretion

For those client accounts where GIM provides ongoing supervision, the client has given GIM written discretionary authority over the client's accounts with respect to securities to be bought or sold and the amount of securities to be bought or sold. Details of this relationship are fully disclosed to the client before any advisory relationship has commenced. The client provides GIM discretionary authority via a limited power of attorney in the Investment Advisory Contract and in the contract between the client and the custodian.

Item 17: Voting Client Securities (Proxy Voting)

GIM will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

Item 18: Financial Information

A. Balance Sheet

GIM does not require nor solicit prepayment of more than \$500 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients

GIM nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

C. Bankruptcy Petitions in Previous Ten Years

GIM nor its management have been the subject of a bankruptcy petition in the last ten years.

Item 19: Requirements For State Registered Advisers

A. Principal Executive Officers and Management Persons; Their Formal Education and Business Background

GIM currently has one management person/executive officer: Michael Gray. His education and business background can be found on the Supplemental ADV Part 2B form.

B. Other Businesses in Which This Advisory Firm or its Personnel are Engaged and Time Spent on Those (If Any)

Michael Gray's other business activities can be found on the Supplemental ADV Part 2B form.

C. How Performance Based Fees are Calculated and Degree of Risk to Clients

GIM accepts performance-based fees, fees based on a share of capital gains on or capital appreciation of the assets of a client

GIM will be compensated based on an asset-based management fee of 2.00% for all Special Situation Investments under management. In addition, qualified investors will be charged a performance-based fee of 20% of net profits for the year on special situation investments. Fees are only charged based upon a high-water mark since the inception of the account - a previous period's losses must be offset before a fee is charged. The performance fee is charged on the amount by which the ending value of the Special Situation Investments exceeds the beginning value of the Special Situation Investments for each calendar year adjusted for any additions or withdrawals of funds by the Client.

Clients that are paying a performance-based fee should be aware that investment advisors have an incentive to invest in riskier investments when paid a performance based fee due to the higher risk/higher reward attributes.

D. Material Disciplinary Disclosures for Management Persons of this Firm

No management person at GIM or GIM has been involved in an arbitration claim or been found liable in a civil, self-regulatory organization, or administrative proceeding that is material to the client's evaluation of the firm or its management.

E. Material Relationships That Management Persons Have With Issuers of Securities (If Any)

Neither GIM, nor its management persons, has any relationship or arrangement with issuers of securities.
