

# **HARRISON MANAGEMENT**

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February 11, 2014

## **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of Harrison Management. If you have any questions about the contents of this brochure, please contact Stephen H. Hogan, Principal and Chief Compliance Officer, at 203-733-9151. 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.

Harrison Management is a registered investment adviser. Registration as an investment adviser by itself does not imply any particular level of skill or training. As is the case with any client-professional adviser relationship, the prospective client should consider education, experience, track record and compatibility with the adviser prior to making any hiring decision.

Additional information about Harrison Management also is available by visiting the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

This Brochure is essentially a disclosure document setting forth detailed information about the business practices of Harrison Management. Filing this document and making it readily available to the public via the internet is required by the Securities and Exchange Commission.

The purpose of this document is to assist a *prospective client* in making an **informed decision** about retaining Harrison Management and, in the case of an *existing client*, to supplement and update his or her **ongoing understanding** of the nature of the advisory relationship.

Any changes in the business practices and/or the delivery of investment services of Harrison Management that could affect such **decision-making** (or **ongoing understanding**) are considered to be Material Changes. Any such material changes will be discussed in this item.

*Material Changes since the annual updating filing by Harrison Management on March 1, 2013.  
The changes below are current as of February 11, 2014:*

- We reported on our last annual updating amendment that we are no longer eligible for SEC registration. As a result, we are switching from SEC to state registration.

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## **Item 4 – Advisory Business**

Harrison Management (also referred to in this Brochure as “HM”) was formed in 1980. Stephen H. Hogan is the sole owner and control person of HM. As of February 1, 2014 Harrison Management managed \$24,284,246 in discretionary assets and had advisory relationships with 30 clients. Harrison Management offers clients two basic services. These include discretionary investment management and selection of other advisors.

### Discretionary Investment Management

Harrison Management provides retainer-based investment management services to client’s pursuant to an advisory contract that allows for discretionary decision making by HM on an ongoing basis (see Item 16 for complete explanation of “investment discretion”). These services are also referred to as *investment supervisory services* meaning HM becomes informed of a client’s entire financial situation and considers the client’s comprehensive needs prior to making and implementing investment recommendations. HM will also, from time to time, provide investment advisory services to non-retainer clients on a one-time, private consultation basis.

Harrison Management provides investment advice with respect to the following kind of investments:

- Stocks (U.S. domestic);
- Corporate bonds (U.S. domestic);
- Municipal bonds;
- Mutual funds (U.S. domestic and international);
- Bank certificates of deposit (U.S. domestic)
- U.S. government and Agency bonds.

### Selection of Other Advisors

Harrison Management may also act as a solicitor on behalf of other advisors – specifically advisors who offer direct investing in corporate and municipal bonds (such advisors herein after will be called *Direct Fixed Income Managers*, or *DFIM*), and advisors who offer mutual funds sponsored by Dimensional Fund Advisors (such advisors will herein after be referred to as *Independent DFA Advisors*, or *IDFAA*). With respect to Direct Fixed Income Managers, HM will, when deemed to be in the best interest of the client based on the size and nature of the client’s specific fixed income requirements, recommend such client to a DFIM.

With respect to independent DFA Advisors it should be noted that Dimensional Fund Advisors (DFA), based in Austin, Texas, is a proprietary mutual fund complex managing in excess of \$300 billion. DFA’s mutual funds, which are available only through certain advisors, constitute a family of quasi-index funds which are weighted toward stocks chosen based upon an investment style utilizing selection criteria similar to that employed by Harrison Management. HM will recommend these funds only to already existing clients of Harrison Management in instances where the client has smaller amounts of money to invest, or seeks immediate diversification across a larger amount of money.

#### **Item 4 – Advisory Business con't**

Notwithstanding whichever advisory service a client chooses, Harrison Management will tailor its recommendations to individual clients to every reasonable extent. For example, HM will recommend municipal bonds (instead of corporate bonds) to a high tax bracket investor who requires fix-income investments. In other instances, HM will communicate with a client's other professional advisors such as accountants or attorneys when requested, for no additional fee.

In addition, clients may impose reasonable restrictions related to investing in certain types of securities. For example, a client may instruct HM not to invest in companies whose businesses involve sensitive activities, such as tobacco.

Harrison Management does not participate in wrap fee programs.

## Item 5 – Fees and Compensation

Harrison Management is compensated differently for *discretionary investment management services* and for *selection of other advisors services*.

### **Discretionary Investment Management Services – Standard Fee Arrangement:**

Harrison Management is compensated by charging a fee based on the value of assets in a client's account. Specifically, fees are charged quarterly in advance and are calculated by reference to a fee schedule set forth below. Fees are subject to negotiation and may vary from this standard schedule based upon circumstances specific to a client.

#### MARKET VALUE OF STOCKS UNDER MANAGEMENT:

<u>Over</u>	<u>But Not Over</u>	<u>Fee:</u>
\$0	\$250,000	1-1/2%
\$250,000	\$500,000	1-1/4%
\$500,000	Unlimited	1%

#### MARKET VALUE OF MUTUAL FUNDS UNDER MANAGEMENT:

<u>Amount</u>	<u>Fee:</u>
Unlimited	½ of 1%

#### MARKET VALUE OF BONDS UNDER MANAGEMENT:

<u>Amount</u>	<u>Fee:</u>
Unlimited	5/16 of 1%

The fees stated above are expressed in terms of annual percentages and are applied to the value of the particular asset class (i.e., stock, mutual funds, bonds) as of the end of each February, May, August and November.

Other aspects of billing and fees related to investment management services include:

- Fees are normally deducted from clients' assets;
- Invoices are sent to clients for their review prior to fees being deducted;

## **Item 5 – Fees and Compensation con't**

- All brokerage commissions, transfer taxes, custodial fees and SEC fees are for the account of the client (see Item 12, Brokerage Practices);
- In instances where Harrison Management recommends mutual funds for a client's portfolio, the client is, in effect, paying two management fees – one to Harrison Management and one to the mutual fund's advisor;
- Fees for private consultations with non-retainer clients are \$325/hour, payable upon completion of the consultation;
- Prepaid fees are refundable on a pro rata basis in instances where an advisory agreement is terminated before the end of a billing period;
- Harrison Management is not compensated for the sale of securities or other investment products.

### **Selection of Other Advisors Services - Compensation Arrangement:**

Harrison Management does not charge a fee to any client for selecting an IDFAA or a DFIM (collectively referred to as Solicited Managers) on their behalf. Rather HM receives a solicitation fee based on the fee the Solicited Manager receives from the client. Specifically, Harrison Management receives 50% of the advisory fee paid by the client to the IDFAA and 20% of the advisory fee paid by the client to the DFIM. The Solicited Manager's fees are determined by their own standard fee schedule, which may be more or less than HM's fee schedule. However, in no instance will HM select an independent advisor if, after taking into account the fee-sharing arrangement, it will be more profitable for HM than directly managing mutual funds for the client. Consequently, in selecting a Solicited Manager HM is not subject to a conflict-of-interest.

Typically, Solicited Manager's fees are charged in advance at the beginning of each quarter. Any refunds of fees under this advisor selection service must be obtained directly from the IDFAA, not from Harrison Management.

Harrison Management does not control the fees, billing practices, or other billing policies of the Solicited Managers, and clients should review the Solicited Manager's disclosure brochure(s) for specific information regarding all such policies.

In instances where a client invests in mutual funds through an IDFAA, the client is, in effect, paying two management fees – one to the IDFAA and one to the mutual fund's advisor.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

Harrison Management does not charge or accept performance-based fees, or levy fees in a manner that would give rise to side-by-side management.



### **Item 7 – Type of Clients**

Harrison Management primarily offers investment services to individuals, charitable organizations and non-qualified retirement plans such as IRA's.

Harrison Management requests a minimum account size of \$250,000, although HM will accept a smaller initial account size depending upon the circumstances of a particular prospective client.

## Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

All clients and prospective clients should be aware that investing in securities involves risk-of-loss that clients should be prepared to bear. Clients should understand that in the absence of risk-of-loss there is no possibility of above-average gains. Indeed, if this were not the case all investors would choose the “riskless” high-return investment methodology. By definition that methodology would then quickly no longer work.

Harrison Management considers itself a “risk” manager as it goes about deploying client money. This means HM’s principal focus is on the downside (i.e., loss) potential of a prospective investment rather than its upside (gain) potential.

This apparent contrarian approach to conceptualizing the investment process has important ramifications for how investment analysis is undertaken and strategy is formulated at Harrison Management. HM’s sole significant investment methodology applied to both stocks and bonds starts with analysis of a company’s financial statement. The objective is to determine that the company exhibits acceptable financial soundness.

Next, if research is “stock-oriented”, Harrison Management’s strategy is to identify stocks whose market values are less than (i.e., at a discount to) values that these company’s financial statements would suggest. Little if any attempt is made to predict future earnings as it is HM’s philosophy that relying on earnings predictions to evaluate stocks introduces significant risk into the process.

If research is “bond-oriented” Harrison Management’s strategy is to project cash flows and feasible asset sales into the near future - using conservative macroeconomic assumptions - and estimate a company’s worst-case future cash positions. For example, for a corporate bond maturing in 5 years to be considered investment worthy, the company’s future, worse-case cash positions must support debt servicing and repayment in all 5 years.

As mentioned, HM then searches for both stocks and bonds that it believes are trading at a temporary discount to financial statement or peer group valuations. Candidates satisfying these criteria should, theoretically, exhibit less risk of loss. Once a security recommendation is formulated, HM’s policy is to “buy and hold” rather than trade frequently, thereby reducing the tendency to “time” the market – an inherently risky proposition.

Finally, HM carefully diversifies all client portfolios across a large number of investments and never permits any single investment to represent more than 5% of its asset class in a given portfolio unless client approval is obtained.

Although both stock and bond recommendations are derived using a highly risk-centered strategy designed to minimize loss, prediction and assumption-making are involved in HM’s investment analysis. This inevitably introduces risk into the process. *Accordingly, losses can and will occur in individual circumstances.* Investing in securities involves risk of loss that clients should be prepared to bear.

## **Item 9 – Disciplinary Information**

Registered investment advisors are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of the advisor's business or the integrity of the advisor's management. Harrison Management has no legal or disciplinary events to disclose.

## **Item 10 – Other Financial Industry Activities and Affiliations**

Harrison Management is required to disclose any financial industry activities and/or affiliations that are material to a client's or prospective client's evaluation of its business. HM is not and does not intend to be a broker or broker-dealer, or act as an intermediary or Principal with respect to any security, commodity, derivative or similar instrument. Further, Harrison Management has no relationships or arrangements with other industry participants that are material or that create a material conflict of interest.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Harrison Management places great emphasis on making sure its clients and potential clients understand the high ethical standards under which it operates. Accordingly, HM has developed a formal, written Code of Ethics (Code) and provides a copy of the Code to any client or prospective client upon request. The following is a description of the Code:

“HM’s Code of Ethics is based upon the principles that it will protect the confidentiality of client information, always put the client’s interests before its own, never be opportunistic vis-à-vis its client’s (or vendor’s) trust in respect of its own activities, avoid all conflicts-of-interest and maintain the highest moral standards in the conduct of its business. At the more practical level this means HM has a duty to be loyal to each client and to provide each client reasonable, independent investment advice, obtain best execution in the implementation of that advice and ensure that the advice is consistent with the unique circumstances of each individual client. Vitally important to achieving all of the above is always ensuring that when advice is given it is based solely upon readily, publicly available information.”

Harrison Management does trade for its own account and, consequently, may from time to time recommend to clients the purchase or sale of securities in which it has a position or expects to have a position. To avoid possible conflicts of interest in such transactions, Harrison Management’s policy is that it does not buy or sell for its own account, for a period from 3 business days before to 3 business days after, any security bought or sold for a client account.

## **Item 12 – Brokerage Practices**

Harrison Management always allows a new client to choose which broker-dealer the client would prefer to use.

However, it is common for a prospective client to ask Harrison Management which broker-dealer it would recommend. In these instances HM often recommends Fidelity Investments.

As a consequence, many of the client brokerage accounts managed by HM currently reside at Fidelity Investments. Fidelity offers investment advisors, such as HM, specialized services such a robust investment platform which enable HM to provide better service to its clients. HM's arrangement with Fidelity is strictly informal and HM receives no compensation from Fidelity in any form.

Harrison Management periodically surveys a range of brokers to assess their pricing and service vis-à-vis the investment of stock and bonds. Consistently, Fidelity is among the most competitive in terms of commissions on stock transactions, mark-ups on bond inventories and providing an array of other services benefiting investors.

Occasionally, when Harrison Management decides to recommend the purchase or sale of a particular stock or bond to multiple clients, all of whom have accounts located at Fidelity, HM will "aggregate" the trade. This means HM will execute one trade at Fidelity and allocate the proceeds across the multiple accounts. By so doing, HM guarantees each client receives the same price and, in many instances, a better price is achieved.

### **Item 13 – Review of Account**

Reviews of client accounts are conducted on a periodic basis by Stephen H. Hogan. In all instances, reviews are performed in no particular sequence. Reviews are performed at least quarterly and in some instances more frequently. The quarterly reviews include analysis of earnings reports and financial statements of the companies of all securities comprising each client account. Along with quarterly reviews, portfolio appraisal reports are sent to each client. For clients with stock and stock mutual fund holding, year-to-date performance information is provided. A written description of account activity will also be sent to a client when deemed necessary to more fully explain portfolio holdings or valuations.

In addition to quarterly reviews, monitoring of the price movements of all securities comprising each client account is undertaken on a daily basis. At any time, a complete review of an individual investment held by a client will be triggered by a significant price move or by important credit or other business news or events potentially affecting the value of the security.

The review of an entire client account is initiated should the investment objective of the account change.

#### **Item 14 – Client Referrals and Other Compensation**

Harrison Management does not, either directly or indirectly, compensate any person for client referrals.

Harrison Management does receive referral fees from other advisors when directing clients to those advisors. Advisor selection in these instances occurs when such other advisors offer investment options that HM cannot provide. The provision of this advisor selection service and its associated compensation is outlined in detail in Item 4 and Item 5.

Other than compensation received for selecting other advisors, Harrison Management receives no other payment, referral fee, commission or economic benefit of any kind from any non-client for providing investment advice or other advisory services to its clients.



### **Item 15 – Custody**

Harrison Management does not have and is not deemed to have (by virtue of any policy or procedure) custody of client funds.

## **Item 16 – Investment Discretion**

When Harrison Management manages client portfolios on a discretionary basis the following relationship framework applies. Specifically, clients grant HM limited trading authorization over the brokerage account containing their investment securities. This means HM, without obtaining prior approval, may buy or sell securities on behalf of clients when and in amounts it deems appropriate.

Clients maintain control over the investment process by setting forth in advance which asset classes to invest in (i.e., stocks, bonds, mutual funds) and any other restrictions. For example, a client may restrict investment in certain industries (e.g., tobacco) or, in the case of bonds, place limits on the length of maturity or the minimum credit rating of a bond. Limitations and/or restrictions may be articulated either orally or in writing with Harrison Management.

Discretionary authority is formally granted when the client executes the advisory agreement and the broker-dealer account application.

### **Item 17 – Voting Client Securities**

Harrison Management does not have and will not accept the authority to vote or render any advice with respect to the voting of proxies for securities in client accounts

In all instances clients will receive proxy materials directly from the custodian. It is solely up to the client to determine what, if any, action to take. Clients should direct questions regarding a particular solicitation directly to the custodian that provided the proxy notice.

## **Item 18 – Financial Information**

Harrison Management is not required to disclose financial information about itself to its clients or the public because:

- HM does not require or solicit prepayment of more than \$500 in fees from any client six months or more in advance;
- HM does not possess custody of client funds or securities;
- HM does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

## **Item 19 – Requirements for State-Registered Advisers**

The following individuals are the principal executive officers and management persons of HM:

- Stephen H. Hogan, Proprietor

Information regarding the formal education and business background for Mr. Hogan is provided in his respective Brochure Supplement (Part 2B of Form ADV).

HM is not engaged in any business activity other than giving investment advice.

Neither HM nor our supervised persons are compensated for advisory services with performance-based fees.

We are required to disclose all material facts regarding certain legal or disciplinary events pertaining to arbitration awards or other civil, regulatory or administrative proceedings in which our firm or management personnel were found liable or against whom an award was granted. Our firm and our management personnel have no reportable disciplinary events to disclose.

Neither HM nor our management personnel have a relationship or arrangement with any issuer of securities.

## Brochure Supplement – PART 2B OF FORM ADV

This Brochure Supplement provides information about **Stephen H. Hogan** that supplements the Harrison Management Brochure, which is attached to this document. Please contact Stephen H. Hogan, Principal, if you have any questions about the contents of this Supplement.

Additional information about Stephen H. Hogan is available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

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### **Educational Background and Business Experience**

Stephen H. Hogan                      Year of Birth: 1950

#### Education:

1972	Bachelor of Science Mechanical Engineering – Lehigh University
1976	Masters of Business Administration – Univ. of Calif., Los Angeles

#### Business Background:

Harrison Management	Founder & Principal/Chief Investment Officer 1983 - Present
Banker's Trust Co.	Vice President, Lending Officer 1976 -1983
Fairchild Republic Co.	Flight Test Engineer 1973 – 1974

### **Disciplinary Information**

There are no legal or disciplinary actions to disclose.

### **Other Business Activities**

Stephen H. Hogan is not engaged in any other business activities.

### **Additional Compensation**

Stephen H. Hogan does not receive compensation or other economic benefit from any person who is not a client in connection with the advisory services offered to clients.

### **Supervision**

Stephen H. Hogan is a sole practitioner and is responsible for all supervisory functions of Harrison Management.

### **Requirements for State-Registered Advisers**

Stephen H. Hogan has never been the subject of a bankruptcy petition nor has he ever been involved in any of the additional disciplinary events reportable under this Item.