UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 4584 / December 7, 2016

INVESTMENT COMPANY ACT OF 1940
Release No. 32380 / December 7, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17713

In the Matter of

Harold D. Garrison,

Respondent.

ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTIONS 203(f) AND 203(k) OF THE INVESTMENT ADVISERS ACT OF 1940 AND SECTION 9(b) OF THE INVESTMENT COMPANY ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 203(f) and 203(k) of the Investment Advisers Act of 1940 ("Advisers Act"), and Section 9(b) of the Investment Company Act of 1940 ("Investment Company Act") against Harold D. Garrison ("Garrison" or "Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purposes of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 203(f) and 203(k) of the Advisers Act, and Section 9(b) of the Investment Company Act, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that:

Summary

1. These proceedings arise from the failure of a formerly registered investment adviser and its chief executive officer to adequately disclose $5.8 million in fees charged to two commercial property investment fund clients. Since 2002, Harold Garrison has been the chief executive officer, principal, and part owner of HDGM Advisory Services, LLC, and its predecessor, HDG Mansur Investment Services, Inc. (hereinafter, the "Fund Manager"). Between 2002 and early 2013, the Fund Manager served as the adviser to two funds, GPIF-Finance Co., Ltd. and GPIF-Equity Co., Ltd. (together, the "GPIF Funds"). During 2012 Garrison caused the Fund Manager to charge $5.8 million in certain prepaid transaction fees to the GPIF funds without adequately disclosing them to the GPIF Funds' Board of Directors. By failing to adequately disclose the fees, Garrison willfully violated Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-8 thereunder. [2]

Respondent

2. **Harold D. Garrison ("Garrison")**, age 67, resides in Fishers, Indiana. Garrison is the chief executive officer, principal, and part owner of HDGM Advisory Services, LLC and HDG Mansur Investment Services, Inc. Garrison filed for chapter 11 bankruptcy protection on October 3, 2014. He has since converted his bankruptcy filing to a chapter 7 proceeding, as of April 29, 2015.

Other Relevant Entities

3. **GPIF-I Equity Co., Ltd. and GPIF-I Finance Co., Ltd.** (**together, "GPIF Funds" or the "Funds"**) are Cayman Island-based limited liability companies, which served as real estate investment funds. The GPIF Funds jointly invested in a portfolio of commercial real estate properties in the U.S. and Europe. From 2002 until March 2012, HDG Mansur Investment Services, Inc. managed the portfolio, and then HDGM Advisory Services, LLC took on fund management responsibilities until early 2013.

4. **HDG Mansur Investment Services, Inc. ("MISI")** is an Indiana corporation headquartered in Indianapolis, Indiana. MISI acted as investment adviser to the GPIF Funds until

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[1] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

[2] A willful violation of the securities laws means merely "'that the person charged with the duty knows what he is doing.'" *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "'also be aware that he is violating one of the Rules or Acts.'" *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

March 2012 but has never been registered with the Commission. MISI filed for chapter 11 bankruptcy protection on May 21, 2014.

5. **HDGM Advisory Services, LLC ("HDGM" and with MISI, the "Fund Manager")** is an Indiana corporation headquartered in Indianapolis, Indiana. HDGM was registered as an investment adviser from March 2012 until January 2013. HDGM acted as an investment adviser solely to the GPIF Funds during this time. HDGM filed for chapter 11 bankruptcy protection on May 21, 2014.

Facts

6. As set out more fully below, during the relevant period, Garrison failed to adequately disclose to the GPIF Funds' Board of Directors and Investment Committee $5.8 million in fees charged to the Funds.

7. In 2002 the GPIF Funds retained MISI to act as their investment manager and adviser. As the chief executive officer, principal, and owner of MISI, Garrison controlled its activities. Investors in the GPIF Funds purchased shares in the Funds, which in turn leveraged these investments by entering into lending arrangements to finance the purchase of interests in stand-alone entities that invested in commercial properties. The GPIF Funds held these commercial properties in the form of partial interests in limited liability companies, partnerships and corporations. By the beginning of 2012 the GPIF Funds had raised $509.3 million of investor capital, net of redemptions. In total, the GPIF Funds, under Garrison and MISI's management, invested over $2 billion of investor capital and debt financing in commercial real estate holdings in the U.S. and Europe. However, by the beginning of 2012, the collapse in global real estate values and the substantial debt raised by the Funds resulted in a net asset value for the Funds of only $117 million. HDGM succeeded MISI as the investment adviser to the GPIF Funds in March 2012.

8. MISI and its successor, HDGM (hereinafter, the "Fund Manager"), entered into an investment management agreement with the GPIF Funds that entitled the Fund Manager to charge a variety of fees to the Funds. Among other things, the investment management agreement allowed the Fund Manager to charge a disposition fee of one percent of the value of any commercial properties that were sold out of the GPIF Funds' holdings. Additionally, the agreement provided for the Fund Manager to charge financing and refinancing fees of one percent of the value of any lending arrangements entered into by the GPIF Funds. Fees could also be charged in connection with the leasing of the Funds' holdings.

9. The investment management agreement that governed the payment of the transaction fees permitted the Fund Manager to take payment of fees without prior approval by the Funds' Board of Directors. The agreement, for example, stated that financing fees were "payable in full on and prior to the time of the completion of the relevant financing" and that sales or disposition fees were "payable in full on and prior to the time of the disposition of a property." However, both provisions also stated that "[t]he Fund Manager shall be entitled to receive" fees at the time of the financing or sale of the property.

10. At the beginning of 2012 the Funds' Board had approved a multi-year plan to begin selling the Funds' portfolio of commercial real estate holdings with the goal of winding down the Funds after this process was complete. The Funds also intended to refinance several substantial lending facilities, the terms of which needed to be renegotiated during 2012. As a result, the Funds' 2012 budget anticipated paying substantial amounts of refinancing fees and disposition fees to the Fund Manager.

11. Throughout 2012 the Fund Manager attempted to execute the sales and refinancing plans envisioned by the Funds' Board. The Fund Manager actively marketed a significant number of portfolio companies, while also engaging in negotiations with various lenders to the Funds in an effort to refinance the significant debts of the Funds' commercial properties. None of the Funds' proposed refinancing arrangements successfully closed in 2012. Eight of the portfolio properties were sold with only one of these generating net proceeds for the Funds. In all, the Fund Manager earned $1.04 million in disposition fees in 2012, compared to the budgeted $7.85 million at the beginning of the year.

In 2012 Garrison Failed to Adequately Disclose $5.8 Million of Fees to the GPIF Funds' Board and Investment Committee

12. In 2012, on a quarterly basis, the Fund Manager reported on the financial condition of the Funds to the Funds' Board of Directors and Investment Committee. The Fund Manager's reports contained information on related party transactions including any disposition and financing fees that the Fund Manager charged to the GPIF Funds in that particular quarter. Specifically, each report contained a "Related Party Fee Schedule" listing Financing Fees and Disposition Fees as separate entries. In addition, the Fund Manager reports disclosed leasing activities and related fees paid to the Fund Manager. Garrison attended each meeting of the Board of Directors and Investment Committee during which these reports on the financial condition of the GPIF Funds were discussed. In addition, Garrison and the Fund Manager regularly communicated with the Board and Investment Committee through email and on conference calls about the financial affairs of the Funds.

13. From February 2012 until late December 2012, the Fund Manager failed to adequately disclose the prepayment of $5.8 million of transaction fees. In quarterly reports, Board and Investment Committee meetings, email communications, and conference calls, the Fund Manager failed to adequately disclose that it had charged the GPIF Funds a total of $5.8 million in prepaid fees in anticipation of the sale of portfolio holdings of the GPIF Funds, the refinancing of the GPIF Funds' lending arrangements, and the leasing of the Funds' holdings. The quarterly reports each contained a Related Party Fee Schedule, which omitted the prepaid fees. No other document in the reports disclosed the payments. Further, no one orally disclosed the payments during any of the quarterly Board meetings held in 2012 or during any other communications with the Board or Investment Committee. Garrison approved the payment of the fees and directed that they be used to pay for the operational costs of the Fund Manager and affiliated entities. By late December 2012, none of the transactions tied to the $5.8 million in prepaid fees had closed. As of the end of 2012, the $5.8 million in fee payments constituted 13% of the net asset value of the GPIF Funds.

14. In late December 2012, the Board learned of these prepaid fees for the first time from a former employee of a firm affiliated with the Fund Manager. When confronted by the Board in late December 2012, Garrison denied the impropriety of the fees and informed the Board that the Fund Manager had taken payment on fees owed for transactions going back to 2002 – an interpretation of the investment management agreement that the Board immediately disputed. Garrison characterized the prepaid fees as payments on underpaid financing fees that the Fund Manager should have been collecting since 2002 on all equity capital invested in portfolio properties. At this time, Garrison did not tell the Board that, at the time he charged the prepaid fees to the GPIF Funds, he believed that certain disposition, financing and leasing transactions would take place by the end of 2012 and charged prepaid fees on these expected transactions.

15. In January 2013, the GPIF Funds filed suit in federal court against Garrison and the Fund Manager for breach of contract, breach of fiduciary duty, fraud, and other claims. In August 2013, the court found in favor of the Funds on their breach of contract claim, and in May 2014, entered judgment in favor of the Funds for $5.8 million, plus prejudgment interest. After this judgment was entered, HDGM, MISI and Garrison filed for chapter 11 bankruptcy protection, which stayed any further litigation on the Funds' claims. Garrison subsequently converted his chapter 11 filing to a chapter 7 filing.

16. In March 2016, Garrison, the GPIF Funds, and other relevant parties engaged in a bankruptcy court supervised mediation that resulted in a global settlement between Garrison and the GPIF Funds of the Funds' civil and bankruptcy claims against Garrison. This global settlement agreement requires, among other things, Garrison to consent to a payment of $1.35 million in insurance proceeds to the GPIF Funds.

Violations

17. As a result of the conduct described above, Garrison willfully violated Section 206(2) of the Advisers Act, which prohibits an investment adviser from, directly or indirectly, engaging in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client. A violation of Section 206(2) may rest on a finding of simple negligence. *SEC v. Steadman*, 967 F.2d 636, 643 n.5 (D.C. Cir. 1999) (citing *SEC v. Capital Gains Research Bureau, Inc.*, 375 U.S. 180, 195 (1963)). Proof of scienter is not required to establish a violation of Section 206(2) of the Advisers Act. *Id*.

18. As a result of the conduct described above, Garrison willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-8 thereunder, which prohibit an investment adviser from engaging in any act, practice, or course of business which is fraudulent, deceptive, or manipulative; and prohibit any investment adviser to a pooled investment vehicle from making any untrue statement of a material fact or omitting to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, to any investor or prospective investor in the pooled investment vehicle; or otherwise engaging in any act, practice or course of dealing that is fraudulent, deceptive, or manipulative with respect to any investor or prospective investor in the pooled investment vehicle. A violation of Section 206(4) and the rules thereunder does not require scienter. *Steadman*, 967 F.2d at 647.

Undertaking

Respondent has undertaken to:

19. Respondent has agreed that the Commission shall take possession of any excess proceeds from the sale of his residence in Fishers, Indiana, after mortgage holders and administrative fees have been paid.

20. In determining whether to accept the Offer, the Commission has considered this undertaking.

IV.

In view of the foregoing, the Commission deems it appropriate, in the public interest and for the protection of investors to impose the sanctions agreed to in Respondent's Offer.

Accordingly, pursuant to Sections 203(f) and 203(k) of the Advisers Act and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-8 promulgated thereunder.

B. Respondent be, and hereby is

> barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and
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> prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter;

with the right to reapply for reentry after one (1) year to the appropriate self-regulatory organization, or if there is none, to the Commission.

C. Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct served as the basis for the Commission order.

D. Respondent shall pay disgorgement of $1.35 million, and his obligation to pay will be deemed satisfied by the Fund Manager's insurer's payment of $1.35 million to the GPIF Funds.

E. Respondent shall, within 90 days of an order lifting the stay in his chapter 7 bankruptcy proceeding or the termination of the stay in his chapter 7 bankruptcy proceeding pursuant to Section 362(c)(2) of the Bankruptcy Code, 11 U.S.C. §362(c)(2), whichever is first, pay a civil money penalty in the amount of $350,000 to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717. Payment must be made in one of the following ways:

(1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Harold D. Garrison as Respondent in this proceeding, and the file number of this proceeding; a copy of the cover letter and check or money order must be sent to Panayiota K. Bougiamas, Assistant Director, Asset Management Unit, Division of Enforcement, Securities and Exchange Commission, New York Regional Office, Securities and Exchange Commission, Brookfield Place, 200 Vesey Street, Suite 400, New York, NY 10281-1022.

F. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002 ("SOX"), as amended, a Fair Fund is created for the penalties referenced in paragraph IV (E) above, and pursuant to Section 308(b) of SOX, accepting as a gift for the Fair Fund, any proceeds remaining from the sale of the Respondent's residence, as specified above in paragraph 19. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

G. After receipt of the gift and penalties referenced in paragraph 19 and IV(E) above, the Commission shall, within 90 days, make payments to the shareholder servicer of the GPIF Funds for a pro-rata distribution of these monies to the investors in the Funds. No amount of these monies may be paid to any account in which the administrator, or any of its officers or directors, has a financial interest.

V.

It is further Ordered that solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523 the findings in this Order are true and admitted by Respondent and further any debt for disgorgement, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt of the Respondent's for the violation of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary