

ADELL, HARRIMAN  
& CARPENTER, INC.  
*Investment Management & Financial Counsel*

Part 2A of Form ADV  
The Brochure

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Updated: March 2017

This brochure provides information about the qualifications and business practices of Adell, Harriman & Carpenter, Inc. (AHC). If you have any questions about the contents of this brochure, please contact us at (713) 621-1155 and/or [www.ahcinvest.com](http://www.ahcinvest.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.

Adell, Harriman & Carpenter, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information to be used to determine whether to hire or retain an adviser.

Additional information about Adell, Harriman & Carpenter, Inc. is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for AHC is 107488.

**Item #2: Material Changes**

Adell, Harriman & Carpenter, Inc.’s (AHC) most recent update to Part 2A of Form ADV was made in March 2016. Since this last annual update, AHC has added a disclosure to item 10 regarding its client referral arrangement with a subsidiary of Fidelity Investments. Please see item 10 for additional information.

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#### **Item #4: Advisory Business**

AHC is a fee-only independent advisor that provides customized investment management services to high-net-worth individuals and their families. We also serve related trust and estate accounts, profit sharing plans, corporate and charitable entities. Our firm specializes in offering a personally tailored approach where each client's investment plan is suited to their individual retirement, estate, tax and liquidity goals. Financial counseling services are also available in areas such as retirement, estate, tax efficiency, college planning, cash management, charitable giving, company stock options, and insurance. AHC generally invests client assets on a discretionary basis in individual securities such as: domestic and international stocks, corporate and municipal bonds, and exchange traded funds ("ETFs"). In certain cases, AHC can allow clients to impose restrictions or exclude certain investments such as tobacco related stocks.

AHC was established in 1995 and is owned by Stephen D. Adell, Mark C. Harriman and Leia P. Carpenter ("Principals"). As of December 31, 2016 AHC managed \$623.1 million of client assets on a discretionary basis on behalf of approximately 640 clients.

#### **Item #5: Fees and Compensation**

AHC charges most of its clients an annual investment management fee based on the following schedule:

<u>Assets under management</u>	<u>Annual Fee</u>
First \$1 Million	1.00%
Amounts in excess of \$1 Million and up to \$3 Million	0.85%
Amounts in excess of \$3 Million and up to \$5 Million	0.70%
Amounts in excess of \$5 Million	negotiable

In certain cases, AHC has negotiated lower fees, such as with charitable organizations or family members. AHC imposes a minimum annual fee of \$2,500, which may be waived or reduced. Financial planning services have negotiated fee arrangements. AHC charges fees quarterly in arrears based on the account value at the end of the prior quarter. Most clients authorize AHC to deduct fees automatically from their brokerage accounts, but clients may request that AHC send quarterly invoices to be paid by check. For partial time periods AHC will invoice the client for an amount that is pro-rated based on the number of days that the account was managed.

In addition to AHC's investment management fees, clients bear trading costs and custodial fees payable directly to the broker. To the extent that clients' accounts are invested in exchange traded funds (ETF) or mutual funds, these funds generally charge an internal layer of management and administrative expenses.

#### **Item #6: Performance Based Fees**

AHC does not charge any performance fees. Performance fees and side by side management arrangements are not applicable to AHC.

#### **Item #7: Types of Clients**

AHC primarily provides customized investment management services to high-net-worth individuals and associated trusts, estates, corporations, non-profit groups, pension and profit

sharing plans, and other legal entities. AHC's minimum account size is generally \$500,000, but this amount is negotiable.

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

AHC's three Principals work together as the Investment Committee to set target asset allocations and approve individual securities for the AHC buy list. The primary asset classes used by AHC include individual stocks, individual investment grade bonds and exchange traded funds (ETF). The Investment Committee reviews research and conducts fundamental analysis on all securities recommended for client accounts. For stocks and bonds the analysis generally includes a review of the issuer's management, financial statements, credit ratings, historical profit and revenue trends, overall industry and competitive position, plus any other factors considered relevant to the particular investment. For ETFs the analysis generally includes a review of the fund's management, historical risk and return results, exposure to specific industry sectors and geographies, plus any other factors considered relevant.

The Investment Committee generally meets weekly to discuss the overall economy, market trends, the existing AHC buy list and prospective investments. Investments are evaluated independently, as well as in the context of clients' existing holdings and sector exposures. AHC primarily invests for relatively long time horizons, often for a year or more. However, market developments could cause AHC to sell securities more quickly.

All investing involves a risk of loss due to market fluctuations and clients should be prepared to bear this risk. An investment in individual securities or in a portfolio of securities could lose money. AHC cannot give any guarantee that it will achieve clients' investment objectives or that any client will receive a return of its investment.

AHC may invest a portion of client portfolios in common stocks. The risks of investing in common stocks include overall stock market risk, industry specific risk and individual company specific risk. Smaller capitalization stocks may be more volatile and carry greater risk than larger capitalization stocks. Economic trends can affect the risk profile of stocks (e.g., Rising interest rates may make stocks less attractive compared to bonds). Changes in earnings expectations may also affect the price of a stock. International stocks also possess currency risk, in addition to the risks inherent in equity investing.

AHC may invest a portion of client portfolios in bonds or other fixed income securities, including notes and debentures issued by corporations; debt securities issued or guaranteed by the U.S. Government or one of its agencies and state municipalities. These securities may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (*i.e.*, market risk).

AHC may invest in exchange traded funds (ETFs). Shares of ETFs are listed on a stock exchange and can be traded throughout the day at market-determined prices. ETFs typically invest in the securities comprising an underlying index.

Changes in the prices of such shares generally, but may not in all cases, track the movement in the underlying index or sector securities relatively closely. In particular, leveraged and inverse ETFs may perform much differently over longer terms than would leveraged or short positions in the underlying investments.

**Item #9: Disciplinary Information**

AHC and its employees have not been involved in any legal or disciplinary events in the past 10 years. There is no information applicable to this item.

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

AHC receives client referrals from a subsidiary of Fidelity Investments which is material to AHC's advisory business. Periodically, Fidelity will pay for AHC employees' travel and accommodation costs in connection with industry conferences. Clients whose accounts are held by Fidelity do not bear any additional costs in connection with AHC's receipt of these benefits. Furthermore, Fidelity's provision of these benefits is not contingent upon AHC formally committing any specific amount of business. However, AHC would not receive these benefits if client accounts were not held in custody and traded at Fidelity. AHC's receipt of these benefits may create a conflict of interest in connection with AHC's recommendation of Fidelity. Please see item 14 for additional information.

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

AHC has adopted a written code of ethics ("Code") that is applicable to all employees. Among other things, the Code describes our standards of business conduct and requires AHC employees to act in clients' best interests. The Code also includes provisions relating to applicable government regulations, client confidentiality, a prohibition on insider trading, pre-clearance requirements on many types of personal securities transactions and restrictions on the acceptance of significant gifts. AHC's restrictions on personal securities trading apply to employees, as well as employees' family members living in the same household. AHC maintains a watch list of securities that are being considered for client accounts, as well as securities already held in client accounts. Any proposed employee transaction in such securities requires pre-clearance from the Chief Compliance Officer. The Chief Compliance Officer does not grant pre-clearance where it would appear that an employee's trading could disadvantage AHC's clients. On occasion, employees of AHC may buy for their own accounts securities which AHC also recommends to clients. It is also possible that employees of AHC may buy or sell securities for their personal accounts in a manner that is inconsistent with AHC's recommendations to a client. Employee's personal security transactions may potentially raise conflicts of interest, however; AHC has adopted policies and procedures designed to prevent and detect such conflicts. A copy of AHC's code of ethics is available by sending an email request to [info@ahcinvest.com](mailto:info@ahcinvest.com) or calling (713) 621-1155.

**Item #12: Brokerage Practices**

AHC generally recommends that clients arrange for their assets to be held with a preferred brokerage custodian such as Fidelity Investments. Factors considered to determine the

reasonableness of commission rates include back office services, research offerings, best execution capabilities, dedicated service personnel, online trading capabilities and money market options. On at least an annual basis AHC's Chief Compliance Officer evaluates the pricing and services offered by Fidelity with those offered by other reputable firms. AHC has sought to make a good-faith determination that Fidelity provides clients with good services at competitive prices. However, clients should be aware that this determination could have been influenced by AHC's receipt of services from Fidelity. AHC has managed client assets held at Fidelity for many years and has found Fidelity to offer good services at competitive prices. AHC would notify its clients if it were to determine that another firm offered better pricing and services than Fidelity.

-Soft Dollar Benefits

AHC does not participate in any soft dollar programs.

-Client Referrals

Please refer to Item 14.

-Directed Brokerage Selection

AHC can typically trade accounts held at Fidelity using other broker/dealers. However, Fidelity charges trade-away fees that AHC believes outweigh any benefits from trading stocks, or ETFs with other brokers. The availability and pricing of bonds varies more widely, so prior to placing a bond trade AHC may solicit bids from several dealers and then execute the trade with the dealer that offers sufficient liquidity and the most favorable pricing.

Some clients may elect to have their accounts held by brokerage firms other than Fidelity. If a client directs their account to a broker other than Fidelity, that client may lose out on certain benefits that could otherwise be obtained. Specifically, AHC may be unable to include these clients in aggregated trades, in order to obtain the most favorable execution and this practice may cost clients more money. When clients direct brokerage, it may not be possible for AHC to obtain similar execution that could be available if AHC had full discretion in the selection of the executing brokerage firm.

-Aggregated Trades

When beneficial, AHC may aggregate or block client trades in an effort to obtain the most efficient execution at a fair commission to all clients. Clients participating in a bunched order receive the same average price and incur trading costs that are comparable if they were trading individually. AHC employee trades may be included in bunched client trades.

**Item #13: Review of Accounts**

Assets under AHC's management are monitored on an ongoing basis by the Investment Committee members and individual client accounts are periodically reviewed by the client's managing principal. The managing principal reviews each account in detail on at least a quarterly basis, as well as in connection with client meetings. The periodic reviews are conducted by Steve Adell, Mark Harriman and Leia Carpenter. Additional reviews of client accounts can also be triggered if a client changes his or her investment objectives, or if the market, political, or economic environment changes materially.

Clients receive account statements directly from their custodian on a monthly basis. AHC may supplement these custodial statements with quarterly summary statements, reports provided during client meetings or as requested.

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

AHC participates in the Fidelity Wealth Advisor Solutions Program (the "WAS Program"), through which AHC receives referrals from Strategic Advisers, Inc. ("SAI"), a registered investment adviser and subsidiary of FMR LLC, the parent company of Fidelity Investments. AHC is independent and not affiliated with SAI or FMR LLC. SAI does not supervise or control AHC, and SAI has no responsibility or oversight for AHC's provision of investment management or other advisory services.

Under the WAS Program, SAI acts as a solicitor for AHC, and AHC pays referral fees to SAI for each referral received based on AHC's assets under management attributable to each client referred by SAI or members of each client's household. The WAS Program is designed to help investors find an independent investment advisor, and any referral from SAI to AHC does not constitute a recommendation or endorsement by SAI of AHC's particular investment management services or strategies. These referral fees are paid by AHC and not the client.

To receive referrals from the WAS Program, AHC must meet certain minimum participation criteria, but AHC may have been selected for participation in the WAS Program as a result of its other business relationships with SAI and its affiliates, including Fidelity Brokerage Services, LLC ("FBS"). As a result of its participation in the WAS Program, AHC may have a potential conflict of interest with respect to its decision to use certain affiliates of SAI, including FBS, for execution, custody and clearing for certain client accounts, and Adviser may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to AHC as part of the WAS Program. Under an agreement with SAI, AHC has agreed that it will not charge clients more than the standard range of advisory fees disclosed in its Form ADV 2A Brochure to cover solicitation fees paid to SAI as part of the WAS Program. Pursuant to these arrangements, AHC has agreed not to solicit clients to transfer their brokerage accounts from affiliates of SAI or establish brokerage accounts at other custodians for referred clients other than when AHC's fiduciary duties would so require; therefore, AHC may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of SAI. However, participation in the WAS Program does not limit AHC's duty to select brokers on the basis of best execution.

#### **Item #15: Custody**

All clients' accounts are held in custody by unaffiliated broker/dealers or banks. Because AHC can access some clients' accounts through its ability to debit advisory fees and check writing services, AHC is considered to have custody of these particular client assets for SEC purposes. Brokerage custodians send statements directly to the account owners on a quarterly or more frequent basis. Clients should carefully review their qualified custodian statements and compare these statements to the quarterly account statements provided by AHC.

**Item #16: Investment Discretion**

AHC manages client accounts on a discretionary basis as described in Item 4. Clients grant AHC discretionary authority through the execution of a limited power of attorney included in AHC's advisory contract. Clients can place reasonable restrictions on investment discretion by mutual agreement between AHC and the client. For example, some clients have asked AHC not to buy securities issued by companies in certain industries, or not to sell certain securities where the client has a particularly low tax basis.

**Item #17: Voting Client Securities**

AHC does not exercise proxy voting authority over client securities. The obligation to vote client proxies shall at all times remain with the client. Clients will receive proxy voting material directly from their custodian. Clients may contact AHC by phone or email to discuss any potential proxy vote.

**Item #18: Financial Information**

AHC has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.