

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

Part 2A of Form ADV  
The Brochure

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Updated: March, 2012

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. (AHC) most recent update to Part 2 of Form ADV was made in March 2010. AHC's business activities have not changed materially since the time of that update. However, in 2010 the SEC required significant changes to the content and format of Part 2 of Form ADV. This brochure, which reflects those changes, is materially different from brochures used by AHC in prior years.

## **Item #3: Table of Contents**

Item 1 - Cover Page.....	1
Item 2 - Material Changes.....	2
Item 3 - Table of Contents.....	2
Item 4 - Advisory Business.....	3
Item 5 - Fees and Compensation.....	3
Item 6 - Performance-Based Fees.....	3
Item 7 - Types of Clients.....	4
Item 8 - Methods of analysis, Investment Strategies and Risk of Loss.....	4
Item 9 - Disciplinary Information.....	5
Item 10 - Other Financial Industry Activities and Affiliations.....	5
Item 11 - Code of Ethics.....	5
Item 12 - Brokerage Practices.....	5
Item 13 - Review of Accounts.....	7
Item 14 - Client Referrals and Other Compensation.....	7
Item 15 - Custody.....	7
Item 16 - Investment Discretion.....	7
Item 17 - Voting Client Securities, proxy statements.....	7
Item 18 - Financial Information.....	7

**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. As of March, 2012 AHC managed \$450 million of client assets on a discretionary basis on behalf of approximately 550 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 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 \$250,000, but this amount is negotiable.

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

AHC's Principal group works 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 bonds or other fixed income securities, including bonds, 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, because they are listed on a stock exchange, can be traded throughout the day on that stock exchange at market-determined prices. ETFs typically invest predominantly in the securities comprising any 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 substantially

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 and its employees do not have any relationships or arrangements with other financial services companies and has no information applicable to this item.

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

AHC has adopted a written code of ethics 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 applies 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. In AHC's experience, it is rare for an employee's personal trading to limit or disrupt clients' investment opportunities. 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

Periodically, Fidelity will pay for AHC employees' travel and accommodation costs in connection with industry conferences. AHC does not participate in any other soft dollar arrangements. Clients whose accounts are held by Fidelity do not bear any additional costs in connection with AHC's receipt of these services. Furthermore, Fidelity's provision of these services is not contingent upon AHC formally committing any specific amount of business. However, AHC would not receive these services 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.

#### -Client Referrals

AHC does not compensate Fidelity or any other third party for referring client accounts. AHC participates in the Fidelity Institutional Wealth Services referral program where Fidelity clients in need of professional asset management can be referred to an approved local advisor. There is no fee to participate in the program, no economic benefit associated with these referrals and no expectation of future business based on past referrals.

#### -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. In this case, AHC may be unable to negotiate volume trading discounts, best trade execution, block trading and other benefits. When clients direct brokerage, it is not 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 periodically reviewed by the client's managing principal. The account principal and portfolio manager review 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**

Other than the previously described services that AHC receives from Fidelity in Item 12, AHC does not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients.

**Item #15: Custody**

All clients' accounts are held in custody by unaffiliated broker/dealers or banks. Because AHC can access clients' accounts through its ability to debit advisory fees, AHC is considered to have custody of 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 account owner. 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.

**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.

