

R. H. DINEL INVESTMENT COUNSEL, INC.

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

FEBRUARY 6, 2012

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This *brochure* provides information about the qualifications and business practices of R. H. Dinel Investment Counsel, Inc. If you have any questions about the contents of this *brochure*, please contact us at (310) 571-7171. 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 R. H. Dinel Investment Counsel, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

We sometimes refer to our firm as a "registered investment advisor" because we are registered with various governmental authorities. This reference does not imply any particular level of skill or training.

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Advisory Services

History of Our Business

Our firm commenced business on April 1, 1992 at the location identified on the cover page. Its principal owner is, and has always been, Richard H. Dinel.

Services We Provide

We provide customized, discretionary, investment management services. We place great emphasis on research relating to individual securities. Our goal is to hold investments for a long period of time. We believe these long holding periods provide the best returns for our clients.

Customization of Advisory Services

Each of our client portfolios is slightly different from any other client portfolio. This is because each portfolio of securities is designed to conform to the particular needs of each client. These needs are determined after consultations with the client, and if appropriate, their accountant and/or lawyer. Clients may impose restrictions on investing in corporations which do not meet their political or social objectives.

Client Assets Under Our Management

As of February 1, 2012, we managed \$90,996,000 of client assets on a discretionary basis. We do not manage any client assets on a non-discretionary basis.

Fees and Compensation

Our Advisory Fee Schedule

Our annual fees for management of portfolios are as follows:

- A. 1.5% of assets for the first \$1 million under management.
- B. 1.25% of assets for the next \$1 million under management.
- C. 1% of assets for the next \$20 million under management.

Under certain circumstances, we may negotiate fees which may vary from the schedule set forth above.

As a separate and distinct service, if requested to do so, we will consult with individuals or organizations about investment problems. Our hourly fee for such consultations is \$950 per hour. Fees for this service are billed directly to the client.

Payment of Our Advisory Fees

Our advisory fees are deducted each quarter in advance directly from client portfolios. Clients are sent a copy of the bill on the same date the bill is sent to the custodian of their portfolio of securities.

Other Fees Our Clients Will Incur

Our clients will incur nominal fees to the custodian of their portfolio of securities. We believe utilization of an independent bank as custodian provides an additional level of safety for our clients' securities holdings. Some clients also find the service of the custodian to be an added convenience. In addition, we utilize third party brokers to execute transactions. Please see "Our Practices with Respect to Brokers" below.

Refunds of Advisory Fees

Our Investment Advisory Agreement provides that either party may terminate the Investment Advisory Agreement upon 30 days written notice. Subject to the 30 day notice provision, the unearned portion of our fee for the quarter during which the termination occurs will be refunded.

Our Clients

Our clients are individuals, individual retirement accounts, trusts, pensions and foundations. The minimum assets a client must place under our management in connection with a new relationship is \$1 million. Under certain circumstances, we may decrease or increase this minimum.

Customization of Investment Strategies; Methods of Analysis; Risk of Loss

Our Approach to the Investment Process

- A. After consultation with the client, and if appropriate, their accountant and/or lawyer, the client's needs are determined.

- B. As a result of this determination, stock/bond mix parameters are recommended to the client, and if appropriate, their accountant and/or lawyer. These recommended parameters also include which of our common stock portfolio management guidelines is most appropriate for the client.
- C. When these recommendations are accepted or modified, a letter delineating the investment policy as accepted or modified is sent to the client.

Our Method of Analysis

We place considerable emphasis on common stocks because, over long periods of time, they have produced the highest returns of any category of liquid assets.

Our universe of stocks is constantly reviewed. Promising candidates are screened and then subjected to in-depth research. This includes a review of filings with the Securities and Exchange Commission as well as annual reports, research from independent research providers and from various brokerage firms.

We attempt to identify great businesses in the right industries which are well managed. Such businesses should, over time, produce outstanding returns because their earnings, or cash flows, consistently grow faster than inflation, and faster than the economy in general.

We augment this basic premise of growth stock investing with a further premise that if a company is positioned to take advantage of important economic themes, it should outperform the universe of growth companies in general. Economic themes are concepts which are often self evident , e.g. the concern for the environment, the ongoing revolution in telecommunications and information technology, the expanding demand for American consumer products abroad and the increasing wealth of developing countries.

For some investors, it is appropriate that we invest all, or a portion, of their portfolio in bonds issued by the U.S. Government, its agencies and instrumentalities, corporations or municipalities.

Risks of Investing in Common Stocks and Bonds

The long term returns provided by common stocks are higher than those provided by any other class of liquid assets. However, such returns are not consistent. They can be quite volatile. Thus, investors in common stocks can expect to be subject to volatility or risks relating to economic conditions, market fluctuation, world events, and events affecting particular companies or industries.

Investors in bonds are subject to the risk the issuer of the bond will default, or the bond will decline in current value due to market perceptions of the ability of the issuer of the bond to repay the obligation. Additionally, if interest rates in general rise, the current value of all

bonds will be affected adversely. A bond will be worth its par value at maturity except if the issuer of the bond defaults.

Our Code of Ethics and Practices Relating to Trades by Our Personnel

Our Code of Ethics

Pursuant to Securities and Exchange Commission Rule 204 A-1, effective February 1, 2005, we adopted a Code of Ethics. This Code of Ethics reemphasizes the high standards of conduct which we have always observed. It emphasizes that many of our clients repose an unusual degree of confidence and trust in us and we must, therefore, continue to live up to the very high level of expectation inherent in our relationships with our clients, as well as our fiduciary obligations. It also recognizes that in many instances, clients have placed virtually all of their liquid assets under our management.

We will provide a copy of our Code of Ethics to any client or prospective client upon request.

Practices Relating to Trades by Our Personnel

Our employees are required to obtain the prior written consent of Richard H. Dinell, President, for any trades done in their own accounts. Such trades may take place in securities which are the same as securities being purchased or sold on behalf of clients. However, no such transactions are permitted if, in the opinion of Richard H. Dinell, such transactions would cause economic harm to clients.

If our officer's or employee's transactions are occurring at, or about, the same time as transactions are being executed for clients, the transactions on behalf of our officers or employees are executed after the transactions for clients are executed.

Our Practices with Respect to Brokers

Our Investment Advisory Agreements provide in most instances that we have approval to execute transactions with various brokers. Our Investment Advisory Agreement also provides our clients with the option to direct us to use only their own broker; in which case we will not negotiate commissions or execution terms on the clients' behalf.

We select brokers on the basis of their research and execution capability. The determination of reasonableness of brokerage commissions is made on consideration of: 1) execution capability, 2) quality of research, 3) breadth of research, and 4) gross amount of commissions. "Quality of research" relates to access to analysts and the quality and frequency of written reports dealing with individual companies and industries.

We may pay a broker a commission in excess of that which another broker might have charged for executing the same transaction in recognition of the value of: a) execution capability or b) research services provided by the broker.

All purchases and sales of securities in our clients' portfolios, as well as the brokerage firm utilized and the commission paid, are shown on the monthly statements our clients receive from the custodian of their portfolio of securities. See "Portfolio Review Process and Reports to Clients" below.

The research services provided by brokers may be used for the benefit of all portfolios, including those of our officers or employees. Also, some of the research services provided by brokerage firms are so extensive that not all such services are used by the portfolio(s) which paid the commission.

Under certain circumstances, trades executed for one client portfolio may be aggregated with trades done for other client portfolios provided that the aggregation is done on the same day, in the same security. Positions resulting from such trades are apportioned to the various participating client portfolios on an average cost basis, and our clients' portfolios benefit from any savings which may result from such aggregation.

It is worth noting that we may select a broker based upon our interest in receiving research from that broker rather than the interest of a specific client in receiving the lowest cost execution. The only services our firm, or any related persons, receive from brokers are research issued by the brokerage firm itself or by other providers.

We do not allow brokers to pay for any independent research subscriptions or other services which we receive directly. We direct client transactions to brokers in return for their research services and execution capabilities and for no other reason.

Portfolio Review Process and Reports to Clients

We review all client portfolios at least quarterly, and often more frequently. Such reviews are conducted by Richard H. Dinell, President. Unusual developments in the financial markets or involving a particular industry or company will trigger a special review.

We provide our clients with quarterly analytical reports. Clients receive monthly account statements from the custodian of their portfolio of securities. Clients who obtain a secure password from the custodian may view the status of, and activity in, their portfolio(s) on the website of the custodian. Clients should carefully review their statements from the custodian of their portfolio of securities. Our quarterly analytical reports should be compared to these statements.

Our Agreements with Clients

All of our clients' portfolios are managed pursuant to a written Investment Advisory Agreement which confers upon us discretionary authority to manage the portfolios on behalf of our clients. Such authority is exercised in accordance with the investment policy described in "Our Approach to the Investment Process" above.

Voting of Clients' Securities

We vote all proxies pertaining to client securities. Pursuant to SEC Rule 206(4)-6 on August 6, 2003, we adopted Proxy Voting Policies and Procedures. A copy of this document is available to clients upon request. We encounter few, if any, conflicts of interest because we are a small firm. Thus, we do not hold unusually large positions in securities on behalf of our clients or our officers. We vote proxies relating to shareholdings of our officers in exactly the same way as we vote proxies for clients. Upon request, clients may obtain information from us about how we voted proxies relating to their securities.

Our Executive Officers

Our principal executive officers are Richard H. Dinel, President, and Joyce K. Dinel, Vice President.

Richard H. Dinel holds a J.D. degree from Stanford University and a B.A. degree from Pomona College with a major in history and a minor in economics. He practiced securities law for 25 years until 1992 when he founded R. H. Dinel Investment Counsel, Inc.

Joyce K. Dinel was a trust officer of a large Los Angeles bank. She retired from the bank in 1975. Between 1975 and 1992, she concentrated on raising the Dinel family. In 1992, she was a co-founder of R. H. Dinel Investment Counsel, Inc.