

## Concord Investment Counsel

Brochure Dated 3/31/2015

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This brochure provides information about the qualifications and business practices of Concord Investment Counsel (referred hereafter as “registrant”). If you have any questions about the contents of this brochure, please contact us at 714-852-4100. 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 Concord Investment Counsel is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Our SEC file number is: 801-39752

**Item 2            Material Changes**

The SEC adopted "Amendments to Form ADV" in July, 2010. This Brochure, dated 03/31/2015, is our new disclosure document prepared according to the SEC's new requirements and rules. This document is a narrative that is substantially different in form and content than our previous ADV Part 2.

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#### Item 4    **Advisory Business**

- A.) The Registrant began conducting business as a sole proprietorship in 1991. The Registrant became a corporation on April 28, 1998. The Registrant is a SEC-registered investment advisor with its principal place of business located Irvine, California.
- B.) The Registrant primarily conducts investment management services on a discretionary basis. Investments are predominantly in U.S. equities, corporate and municipal bonds, commercial paper, certificates of deposit, mutual funds, variable annuities, government securities, and options. The Registrant also provides Asset allocation advice (stocks, bonds and cash weighting) and Financial Planning Services.
- C.) The Registrant attempts to collect information from the Client, such as investment objectives, risk tolerance, investment time-horizon, tax considerations, and any reasonable restrictions on the management of the Client's assets. The Registrant will invest the Client's account assets based on those guidelines and in accordance with the Registrants program selected by the Client. It is the Client's responsibility to inform the Registrant of any changes. The Registrant does not and will not assume any responsibility for the accuracy of the information provided by the Client.
- D.) Registrant does not offer a wrap fee program for its investment advisory services. However, Concord Investment Counsel occasionally recommends unaffiliated wrap and managed account fee programs. There is no significant difference between how the Registrant manages wrap fee accounts and non-wrap fee accounts. **Please Note:** When managing a Client's account on a wrap fee basis, the Registrant shall receive as payment for its investment advisory services, the balance of the wrap fee after all other costs incorporated into the wrap fee have been deducted.
- E.) As of March 31, 2015, the Registrant had \$173,854,138.00 in assets under management on a discretionary basis and \$ 5,158,565.00 in assets under management on a non discretionary basis. Totals asset under management of \$179,012,704.00

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

- A.) Asset-Based Management Fee Schedule: Clients selecting our asset-based management fee schedule will be charged a management fee based on the value of the Client's account. The annual fee is normally 1.0% of assets for equity-oriented accounts and 0.5% of assets for fixed income accounts. The fee is negotiable and may be higher for accounts below our minimum.
- B.) Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's Investment Advisory Agreement and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with

regulatory procedures. In the limited event that the Registrant bills the Client directly. Payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill Clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.

- C.) In addition to our advisory fees, Clients are also responsible for the transaction charges imposed by the brokerage firm in which we effect transactions for the Client's account(s).
- D.) Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The Registrant generally requires a minimum asset base of \$500,000.00 for investment advisory services. The Registrant, in its sole discretion, may charge a lower investment management fee and/or waive or reduce its minimum asset requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with Client, etc.). The Investment Advisory Agreement between the Registrant and the Client will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.
- E.) Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.

## **Item 6 Performance-Based Fees**

- A.) In addition to our asset-based management fee schedule, registrant also offers Clients a performance-based management fee schedule. With our performance fee, Clients only pay a management fee when their account earns money. The fee is 15% of the managed account's profits. The fee is calculated and invoiced quarterly. Should there be a loss in a particular quarter, no fee will be assessed and the loss will be carried forward to offset the profits accrued in future quarters. If the Client places a "no new buys" trading restriction on the account, or cumulatively withdraws more than 10% of the account's value when the account is down 10% or more from its last billing (or the account's inception), the account will thereafter be invoiced management fees in accordance with our asset-based management fee schedule. To hire a manager via a profit-based fee, the SEC requires that the Client have at least \$750,000 under management with the advisor or in excess of \$1.5 million net worth. As of 9/19/11 the SEC updated the requirements for Clients who hire a manager under a profit-based fee, and the update is not retroactive for existing Clients. Now Clients need to have a minimum of \$1,000,000 managed by the advisor or a net worth of at least \$2.0 million to qualify for the profit-based fee. Under the same rule, as it was set in 1998, the Client needed to have a minimum of \$750,000 managed by the advisor or a net worth of at least \$1.5 million to qualify for the profit-based fee.

The SEC requires disclosure that a performance-based fee arrangement may create certain conflicts of interest and Clients should understand that (i) performance-fee arrangements may

create an incentive for the manager to make investments that are riskier or more speculative than would be the case in the absence of a performance fee; (ii) the manager may receive compensation with regard to unrealized (not sold) appreciation as well as realized (sold) gains in the Client's account; and (iii) the fees charged by managers in performance-fee arrangements may be higher or lower than fees charged by other advisors for comparable services.

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

Registrant provides advisory services to individuals, pension and profit sharing plans, business entities, estates, and charitable organizations. Nearly all accounts that can be opened at a brokerage firm can be managed by registrant.

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

- A.) Our investment team integrates qualitative bottom-up research into a top-down macroeconomic framework in developing our investment strategies. Inflation, interest rates, government policy, economic growth rates, and global outlook are the driving macro factors influencing the direction of our investments. Through a disciplined and consistent approach, we seek to provide investment results that mitigate risk in a variety of market and economic conditions.
- B.) The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. Our investment process emphasizes risk management through active asset allocation. Our strategies employ a diverse range of investments that incorporate numerous asset classes and sectors. We seek to provide Clients good returns with investments in equities, fixed income, commodities, real estate, cash, and hedge positions. We offer a variety of investment strategies that encompass a full spectrum of risk/return profiles.

#### **Item 9 Disciplinary Information**

The Registrant has not been the subject of any disciplinary actions.

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

Our firm and our related persons are not engaged in other financial industry activities and have no other industry affiliations.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available

upon request. In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B.) Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.
- C.) The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to Clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. The registrant has policies in place to prevent this from happening. These policies can also help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's Clients) and other potentially abusive practices. The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons". The Registrant's securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.
- D.) The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to Clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11 C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

## **Item 12 Brokerage Practices**

- A.) In the event that the Client requests that the Registrant recommend a broker dealer/custodian for execution and/or custodial services (exclusive of those Clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at Schwab. Prior to engaging Registrant to provide investment management services, the Client will be required to enter into a formal Investment Advisory Agreement with Registrant setting forth the terms and conditions under which Registrant shall manage the Client's assets, and a separate custodial/clearing agreement with each designated broker dealer/custodian. Factors that the Registrant considers in recommending Schwab (or any other broker-dealer/custodian to Clients) include historical

relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's Clients shall comply with the Registrant's duty to obtain best execution, a Client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for Client account transactions. The brokerage commissions or transaction fees charged by the designated broker dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for Client accounts are mutual funds that trade at net asset value as determined at the daily market close.

Although not a material consideration when determining whether to recommend that a Client utilize the services of a particular broker-dealer/custodian, Registrant may receive from Schwab (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist service Client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to Client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations. As indicated above, certain of the support services and/or products that may be received may assist the Registrant in managing and administering Client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise. Registrant's Clients do not pay more for investment transactions effected and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by the Registrant to Schwab or any other entity to invest any specific amount or percentage of Client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

Registrant receives Client referrals from Schwab through Registrant's participation in Schwab Advisor Network™ ("the Service"), designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent and unaffiliated with Registrant. Schwab does not supervise Registrant and has no responsibility for Registrant's management of Clients' portfolios or Registrant's other advice or services. Registrant pays Schwab fees to receive Client referrals through the Service. Registrant's participation in the Service may raise potential conflicts of interest described below. Registrant pays Schwab a Participation Fee on all referred Clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Registrant is a percentage of the fees owed by the Client to Registrant or a percentage of the value of the assets in the Client's account, subject to a minimum Participation Fee. Registrant pays Schwab the Participation Fee for so long as the referred Client's account remains in custody at Schwab. The Participation Fee is billed to Registrant quarterly and may be



increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by Registrant and not by the Client. Registrant has agreed not to charge Clients referred through the Service fees or costs greater than the fees or costs Registrant charges Clients with similar portfolios (pursuant to Registrant's standard fee schedule as in effect from time to time) who were not referred through the Service.

For accounts of Registrant's Clients maintained in custody at Schwab, Schwab will not charge the Client separately for custody but will receive compensation from Registrant's Clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades to be executed through Schwab rather than another broker-dealer. Registrant nevertheless acknowledges its duty to seek best execution of trades for Client accounts. Trades for Client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for Registrant's other Clients. Thus, trades for accounts held at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealer. In some cases, Registrant may, if it feels it is in the best interests of the Client, place Client trades through a prime broker or trade-away arrangement (i.e., securities are purchased or sold through an outside broker and then transferred to the Client's account). In addition to the customary trading cost, the custodial broker will charge the Client a fee for such trades, so Registrant will enter such trades only if it believes that the Client will receive a better overall trade execution. Registrant may "cross" trades between Clients when Registrant decides it is in the best interests of the Clients.

The Registrant does not generally accept directed brokerage arrangements (when a Client requires that account transactions be effected through a specific broker-dealer). In such Client directed arrangements, the Client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not be able to seek better execution services or prices from other broker-dealers or be able to "batch" the Client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, Client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

### **Item 13    Review of Accounts**

Registrant's accounts are reviewed at some level monthly. The calendar will be the triggering factor or a review can be additionally triggered by; 1) A change in investment objectives or guidelines; 2) Tax considerations; 3) Diversification; 4) Contributions or withdrawals from management; 5) from management; 5) Sale of a security; 6) Computer report comparing the positions in each account with the Registrant's investment position.

Registrant has two reviewers whose titles are portfolio administrators who are responsible for reviewing all portfolios. Their reviews are conducted as noted above. Registrant has an in-house portfolio management system. Clients receive detailed reports from this system each quarter or the period requested by Client. The report generally includes information on the

positions held, cost, market values, yields, and rates of return for the account and comparison indices.

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

- A.) As referenced in Item 12.A above, the Registrant may receive an indirect economic Benefit from Schwab. The Registrant, without cost (and/or at a discount), may receive support services and/or products from Schwab. Registrant's Clients do not pay more for investment transactions effected and/or assets maintained at Schwab and as a result of this arrangement. There is no corresponding commitment made by the Registrant to Schwab or any other entity to invest any specific amount or percentage of Client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.
- B.) If a Client is introduced to the Registrant by either an unaffiliated or an affiliated solicitor, Registrant may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Registrant's investment management fee, and shall not result in any additional charge to the Client. If the Client is introduced to the Registrant by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective Client with a copy of the Registrant's written Brochure with a copy of the written disclosure statement from the solicitor to the Client disclosing the terms of the solicitation arrangement between the Registrant and the solicitor, including the compensation to be received by the solicitor from the Registrant.

#### **Item 15 Custody**

The Registrant shall have the ability to have its advisory fee for each Client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the Client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance. **Please Note:** To the extent that the Registrant provides Clients with periodic account statements or reports, the Client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

#### **Item 16 Investment Discretion**

The majority of Registrant's business involves providing discretionary asset management services, in which case we place trades in a Client's account without contacting the Client prior to each trade to obtain the Client's permission. Our discretionary authority includes the ability to do the following without contacting the Client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

**Item 17 Voting Client Securities**

Registrant does not vote proxies on behalf of Clients. All proxy materials received on behalf of a Client account are to be sent directly to our Client or a designated representative of the Client, who is responsible for voting the proxy. Registrant personnel may answer Client questions regarding proxy-voting matters in an effort to assist the Client in determining how to vote the proxy. However, the final decision of how to vote the proxy rests with the Client.

**Item 18 Financial Information**

- A.) The Registrant does not solicit fees of more than \$1,200, per Client, six months or more in advance.
- B.) The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain Client accounts.
- C.) The Registrant has not been the subject of a bankruptcy petition.