



Investment Counselors of Redlands LLC

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Form ADV, Part 2A Brochure

March 8, 2018

This brochure provides information about the qualifications and business practices of Investment Counselors of Redlands LLC. If you have any questions about the contents of this brochure, please contact us at 909-792-0711. 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.

Investment Counselors of Redlands LLC is a Registered Investment Adviser. Any reference to or use of the terms “registered investment adviser” or “registered,” does not imply that Investment Counselors of Redlands LLC or any person associated with Investment Counselors of Redlands LLC has achieved a certain level of skill or training. Additional information about Investment Counselors of Redlands LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 - MATERIAL CHANGES

The purpose of this page is to inform you of any material changes to this brochure. If you are receiving this brochure for the first time this section may not be relevant to you.

Investment Counselors of Redlands LLC (“ICR”) reviews and updates the brochure at least annually to confirm that it remains current. We have not made material changes since the previous annual update to our brochure, dated March 8, 2018.

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ITEM 4 - ADVISORY BUSINESS

Description of Advisory Firm

Investment Counselors of Redlands LLC (“ICR,” “we,” “our,” or “us”) is a privately owned limited liability company headquartered in Redlands, California. Mr. James (“Jim”) Heine founded ICR in September 2005. We began managing client assets in April 2006. Mr. Heine, Principal, Chief Investment Officer and Compliance Officer, is the sole owner of ICR. Mr. James Cobb is the Chief Financial Officer. ICR provides investment management services to individuals, families, trusts, charitable organizations, and businesses.

Advisory Services Offered

ICR provides advice on asset allocation and the selection of investments. Our investment management services include portfolio design, implementation and continued monitoring. We offer these services to the clients listed below in **Item 7 – Types of Clients**. Upon request, we will provide individuals with retirement projections.

ICR may offer investment advice on any investment held by the client at the start of the advisory relationship. ICR’s recommendations for new investments will primarily include:

- Mutual funds
- Closed-end funds
- Exchange Traded Funds (ETFs)

Additionally, ICR’s recommendations, depending on the individual investment objectives and needs of the client may include:

- Equity and fixed-income securities, including foreign securities listed on US exchanges (ADRs) or foreign exchanges (ordinaries)
- Real estate investment trusts (REITs)

ICR may occasionally offer advice regarding additional types of investments if they are appropriate to address the individual needs, goals, and objectives of the client or in response to client inquiry.

We discuss our discretionary authority below under **Item 16 - Investment Discretion**. For more information about the restrictions clients can put on their accounts, see **Tailored Services and Client Imposed Restrictions** in this item below. We describe the Fees charged for investment management services below under **Item 5 - Fees and Compensation**.

Limitations on Investments

In some circumstances, ICR’s advice may be limited to certain types of securities.

Limitation by Plan Sponsor/Employer

In the event ICR is managing assets within a retirement plan such as 403(b) or other employer plan, ICR is limited to those investment providers and investment options chosen by the plan administrator. In some circumstances, ICR’s advice may be limited to certain types of securities. For example, when we

provide services to participants in a 401(k) plan, the participant may be limited to investing in securities included in the plan's investment options. In that case, ICR can only make recommendations to the client from the available options, and will not recommend or invest the client's account in other securities, even if there may be better options elsewhere.

Mutual Fund Limitations

No-Load Mutual Funds

ICR generally limits recommendations of mutual funds to no-load funds or load-waived funds.

Limitation by Custodian

There may also be limitations on the mutual funds that we recommend based on the custodian. Clients establish brokerage accounts with Fidelity Institutional Wealth Services, a division of Fidelity Brokerage Services, Inc. ("Fidelity"), registered broker-dealer, Member SIPC. ICR is limited to the mutual funds available through Fidelity.

Limitation by Client

ICR may also limit advice based on certain client-imposed restrictions. For more information about the restrictions clients can put on their accounts, see ***Tailored Services and Client Imposed Restrictions*** in this Item below.

Tailored Services and Client Imposed Restrictions

ICR manages client accounts based on the investment strategy the client chooses, as discussed below under ***Item 8 - Methods of Analysis, Investment Strategies, and Risk of Loss***. ICR applies the strategy for each client, based on the client's individual circumstances and financial situation. We make investment decisions for clients based on information the client supplies about their financial situation, goals, and risk tolerance. Our recommendations may be limited if the client does not provide us with accurate and complete information. It is the client's responsibility to keep ICR informed of any changes to their investment objectives or restrictions.

Clients may also request other restrictions on the account, such as when a client needs to keep a minimum level of cash in the account or does not want ICR to buy or sell certain specific securities or security types in the account. ICR may also accommodate the ownership of client-requested securities within an account. ICR will not monitor or provide recommendations regarding those securities. ICR reserves the right to not accept and/or terminate management of a client's account if we feel that the client-imposed restrictions or requests would limit or prevent us from meeting or maintaining the client's investment strategy.

Assets Under Management

ICR manages client assets in discretionary accounts on a continuous and regular basis. As of 12/31/2017, the total amount of assets under our management was \$89,956,296.

Wrap Fee Programs

ICR does not sponsor or participate in wrap fee programs.

ITEM 5 - FEES AND COMPENSATION

Fee Schedule

ICR charges advisory fees for investment management services at a rate of 1.25% on all assets under management annually. Fees are negotiable and may be reduced based upon certain criteria such as anticipated future additional assets, dollar amount of assets to be managed, management of related accounts, account composition, pre-existing client relationships, or for any other criteria ICR deems appropriate. At our discretion, ICR may provide services to accounts belonging to our current and former employees and family members (“Proprietary Accounts”), certain legacy clients, and to charities and/or foundations at a reduced rate or free of charge. Some accounts may be under different fee schedules honoring prior agreements. Lower fees for comparable services may be available from other sources.

Billing Method

ICR’s investment advisory fees are payable quarterly in arrears. We use a multi-step process to calculate the client’s quarterly fee:

1. We multiply the account value at the beginning of the quarter by the quarterly fee.
2. Fee adjustments for contributions and withdrawals made during the quarter are time-weighted based on the amount of time that principal was in or out of the portfolio in that quarter.
3. Any gains or losses in the account during the quarter will be assigned to principal amounts based on a proration of the fees assigned to each principal amount.

The purpose of this time-weighted method of calculating the advisor fee is to reduce conflicts of interest in terms of the timing of contributions or withdrawals from the account.

We have outlined examples below:

A Scenario with a Contribution during the Quarter and No Gains/Losses:

- Beginning balance on 1/1/2010 of \$100,000
- Contribution on 2/14/2010 of \$50,000
- No gain/loss

Fee calculation on 3/31/2010:

$$\$100,000 \times .3125\% = \$312.50$$

$$\$50,000 \times .3125\% \times (45 \text{ days} / 90 \text{ days}) = \$78.13$$

$$\text{Total} = \$312.50 + \$78.13 = \$390.63$$

			0.3125% X (45 days / 90 days)	X	\$50,000	=	\$78.13
			0.3125%	X	\$100,000	=	\$312.50
1/1		2/14				Total	\$390.63

A Scenario with a Contribution during the Quarter and Gains/Losses:

- Beginning balance on 1/1/2010 of \$100,000
- Contribution on 2/14/2010 of \$50,000
- \$10,000 gain

Fee calculation on 3/31/2010:

- The \$10,000 gain is pro-rated based on the fees assessed on the principal amounts:
 Fee on \$100,000 principal = $\$312.50 / \$390.63 = 0.8$
 Fee on \$50,000 contribution = $\$78.13 / \$390.63 = 0.2$
- This ratio is applied to the total gain to calculate the fee on the portion of the gain assigned to each principal amount:
 $\$10,000 \times 0.8 \times .3125\% = \25.00
 $\$10,000 \times 0.2 \times .3125\% \times (45 \text{ days} / 90 \text{ days}) = \3.13
- The entire fee on the gain is calculated by adding the different portions:
 $\$25.00$ (on the gain assigned to the principal)
 $+ \underline{3.13}$ (on the gain assigned to the contribution)
 $\$28.13$
- Add this to the fee already calculated on the principal amounts:
 $\$390.63$
 $+ \underline{28.13}$
 $\$418.76$ Total fee assessed

			$(\$78.13 / \$312.50) \times .3125\% \times (45/90)$	X	\$10,000	=	\$3.13
			$0.3125\% \times (45 \text{ days} / 90 \text{ days})$	X	\$50,000	=	\$78.13
			$(\$312.50 / \$390.63) \times 0.3125\%$	X	\$10,000	=	\$25.00
			0.3125%	X	\$100,000	=	\$312.50
1/1		2/14			Total		\$418.76

For advisory fee calculation purposes, a calendar quarter is a period beginning on January 1, April 1, July 1, or October 1 and ending on the day before the next quarter. A day is any calendar day including weekends and holidays. For new accounts and terminations, the number of days remaining in the quarter is the number of calendar days following the date a new account funds or the date ICR receives and accepts a termination notification.

It is up to the client whether they wish to have the investment advisory fees withdrawn directly from their custodian account or pay by check. With client authorization, ICR will automatically withdraw the advisory fee from the client's account held by an independent custodian. Typically, the custodian distributes prior quarter advisory fees from the client's account during the first month of each quarter based on ICR's instruction. All clients will receive brokerage statements from the custodian no less frequently than quarterly. The custodian statement will show the deduction of the advisory fee for those clients who authorize the advisory fees to be withdrawn directly from their custodian account. ICR will

send a fee notification to each client. The fee notification will include the amount of the fee, the value of the client's assets upon which we based the fee, and the manner in which we calculated the fee. It is the client's responsibility to verify the accuracy of the advisory fee. The custodian will not determine whether the fee is properly calculated.

In addition to the advisory fee notification, ICR will send an invoice to all clients who choose not to have advisory fees withdrawn directly from their custodian account. The invoice is payable upon receipt and will include the account's quarter end market value and advisory fee due.

Other Fees and Expenses

ICR's fees do not include custodian fees. Clients pay all brokerage commissions, stock transfer fees, and/or other similar charges incurred in connection with transactions in accounts from the assets in the account, which are in addition to the fees client pays to ICR. See **Item 12 - Brokerage Practices** below for more information.

In addition, any mutual fund shares held in a client's account may be subject to deferred sales charges, 12b-1 fees, and other fund-related expenses including fees paid to their portfolio managers. The fund's prospectus fully describes the fees and expenses. All fees paid to ICR for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds.

Termination

Either party may terminate the advisory agreement at any time by providing written notice to the other party. The client may terminate the agreement at any time by writing ICR at its office. If ICR receives verbal notice of termination, we will act on that instruction by providing written confirmation of termination.

Upon termination of the agreement, any earned, unpaid advisory fees will be due and payable. When permitted, ICR will automatically withdraw any earned, unpaid advisory fees from the client's custodian account. If ICR is not able to debit the final advisory fee from the client's custodian account the client will receive an invoice showing the advisory fees due for services rendered and not yet paid.

Other Compensation

ICR does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

ICR does not charge performance-based fees or manage pooled accounts. Our only compensation is from the advisory fees clients pay to ICR, as described in **Item 5**.

ITEM 7 - TYPES OF CLIENTS

ICR offers discretionary investment advisory services to individuals, high net worth individuals, trusts and estates, and individual participants of retirement plans. In addition, we offer advisory services to pension and profit sharing plans, charitable organizations, and businesses.

Account Requirements

Generally, ICR requires clients to maintain a minimum amount of assets for opening and maintaining an account. The minimum account size is generally \$100,000. ICR may combine family accounts to meet the account size minimum. Significant funds withdrawal may result in a request for additional fund deposits to continue with management of accounts. ICR may reduce or waive the account minimum requirements at its discretion, based on the needs of the client and the complexity of the situation.

ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis and Investment Strategies

ICR's general investment objective is to seek real capital growth within the constraints of the level of volatility the client is willing to accept. ICR treats each client account uniquely. ICR assists our clients to develop a statement of investment objectives designed in an effort to help clients attain their financial goals. This statement typically outlines the client's time horizon, volatility tolerance, tax considerations, and any special considerations and/or restrictions the client chooses to place on the management of the account. ICR will then make recommendations that are consistent with the client's statement of investment objectives. ICR selects suitable categories of investments based on the clients' attitudes about volatility and their need for capital appreciation or income. Different instruments involve different levels of exposure to risk. Within each investment category, ICR generally selects mutual funds, closed-end funds, and exchange-traded funds (ETFs) to create a portfolio that is consistent with the client's objectives. We deal with any client restrictions on an account-by-account basis.

Since ICR treats each client account uniquely, client portfolios with similar investment objectives and asset allocation goals may own different securities. Timing and tax factors also influence ICR's investment decisions. Clients who buy or sell securities on the same day may receive different prices.

General Investment Strategies

The investment objectives are determined based on the entire account and may be inconsistent with a particular holding and the account's performance at any time. For some clients, the investment objectives are determined based on multiple accounts for tax efficiency purposes. The ratio between fixed income and equity positions in an account may vary over time due to short-term market fluctuations, special market situations, or other unique circumstances. Clients should understand that achieving the stated investment objective is a long-term goal.

Very Conservative

This objective is designed for the cautious investor, one with a low tolerance for market fluctuations and/or a short time horizon. It is targeted toward the investor seeking stability and liquidity from their

investable assets. The main goal is to preserve capital while providing some income. This objective seeks minor fluctuations in the value of the portfolio.

Conservative

This objective is appropriate for the investor who seeks both modest capital appreciation and income from their portfolio. This investor will have either a moderate time horizon or a slightly higher tolerance for market fluctuations than the investor with the previous objective. While we have designed this range to preserve the investor's capital, fluctuations in the value of portfolios may occur from year to year.

Moderate

This objective will best suit the investor who seeks relatively stable growth from their investable assets offset by a modest level of income. An investor with this objective will have a higher tolerance for market fluctuations and/or a longer time horizon than either of the previous investors. The main goal of this objective is to achieve moderate portfolio growth over a complete economic cycle while limiting fluctuations to less than those of the overall stock market.

Moderately Aggressive

This objective is designed for investors with a relatively high tolerance for market fluctuations and a longer time horizon. These investors have little need for current income and seek above-average growth over a complete economic cycle. Its investors should be able to tolerate moderate fluctuations in their portfolio values.

Aggressive

This objective is appropriate for investors who have both a high tolerance for market fluctuations and a long investment time horizon. The main goal of this objective is to provide high growth for the investor's assets over a complete economic cycle. Portfolios in this range may have substantial fluctuations in value from year to year, making this category unsuitable for those who do not have an extended time horizon.

Methods of Analysis for Selecting Securities

ICR primarily uses fundamental analysis in the selection of securities, including the analysis of fund managers, annual reports, and any competitive advantages. Additionally, in analyzing and selecting mutual funds, we use public and private research sources, fund reporting, and fund conference calls. We review key characteristics including historical performance, consistency of returns, risk level, size of fund, and correlation with existing portfolio securities. Expense ratio and other costs are also significant factors in fund selection.

Additionally, ICR may use specific strategies or resources in the method of analysis and selection of securities.

Mutual Funds

In analyzing mutual funds, ICR primarily uses information provided by Morningstar. ICR reviews key characteristics such as historical performance, downside protection, consistency of returns, risk level, and/or size of fund. Expense ratio and other costs are also significant factors in fund selection.

Closed-End Funds and Exchange Traded Funds (ETFs)

Regarding ETFs, ICR reviews holdings, overall sector exposure and weightings, trading volume and liquidity, risk level, and strategy.

Specific Investment Strategies for Managing Portfolios

ICR may use long-term holding and inverse/enhanced market strategies in the construction and management of client portfolios.

Long-Term Holdings

ICR's strategies consist of purchasing, holding and rebalancing a diversified portfolio of securities, generally mutual funds, closed-end funds, and ETFs. ICR typically intends to hold these investments for over a year except when sales are necessary to rebalance the portfolio, to fund replacement acquisitions, or to meet distribution requirements.

Inverse/Enhanced Market Strategies

ICR may also use leveraged long or short mutual funds and/or exchange traded funds that are designed to perform in either an:

1. Inverse relationship to certain market indices (at a rate of one or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; or
2. Enhanced relationship to certain market indices (at a rate of one or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market.

There can be no assurance that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct ICR, in writing, not to employ any or all such strategies for the client's accounts.

General Risk of Loss Statement

Prior to entering into an agreement with ICR, the client should carefully consider:

1. That investing in securities involves risk of loss which clients should be prepared to bear;
2. That securities markets experience varying degrees of volatility;
3. That over time the client's assets may fluctuate and at any time be worth more or less than the amount invested; and
4. Committing to ICR's management only those assets that the client believes will not be needed for current purposes and that can be invested on a long-term basis, usually a minimum of three years.

Risks

General Risks of Owning Securities

The prices of securities held in client accounts and the income they generate may decline in response to certain events taking place around the world. These include events directly involving the issuers of

securities held as underlying assets of securities in a client's account, conditions affecting the general economy, and overall market changes. Other contributing factors include local, regional, or global political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations may also affect security prices and income.

The prices of, and the income generated by, most debt securities held by a client's account may be affected by changing interest rates and by changes in the effective maturities and credit ratings of these securities. For example, the prices of debt securities in the client's account generally will decline when interest rates rise and increase when interest rates fall. In addition, falling interest rates may cause an issuer to redeem, "call" or refinance a security before its stated maturity, which may result in ICR having to reinvest the proceeds in lower yielding securities. Longer maturity debt securities generally have higher rates of interest and may be subject to greater price fluctuations than shorter maturity debt securities. Debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default. The guarantee of a security backed by the U.S. Treasury or the full faith and credit of the U.S. government only covers the timely payment of interest and principal when held to maturity. This means that the current market values for these securities will fluctuate with changes in interest rates.

Investments in securities issued by entities based outside the United States may be subject to increased levels of the risks described above. Currency fluctuations and controls, different accounting, auditing, financial reporting, disclosure, regulatory and legal standards and practices could also affect investments in securities of foreign issuers. Additional factors may include expropriation, changes in tax policy, greater market volatility, different securities market structures, and higher transaction costs. Finally, various administrative difficulties, such as delays in clearing and settling portfolio transactions, or in receiving payment of dividends can increase risk. Finally, investments in securities issued by entities domiciled in the United States may also be subject to many of these risks.

Mutual Funds (Open-end Investment Company)

A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads).

The benefits of investing through mutual funds include:

Professionally Managed

Mutual funds are professionally managed by investment advisers who research, select, and monitor the performance of the securities the fund purchases.

Diversification

Mutual funds typically have the benefit of diversification, which is an investing strategy that generally sums up as “Don’t put all your eggs in one basket.” Spreading investments across a wide range of companies and industry sectors can help lower the risk if a company or sector fails. Some investors find it easier to achieve diversification through ownership of mutual funds rather than through ownership of individual stocks or bonds.

Affordability

Some mutual funds accommodate investors who do not have a lot of money to invest by setting relatively low dollar amounts for initial purchases, subsequent monthly purchases, or both.

Liquidity

Generally, mutual fund investors can readily redeem their shares at the next pricing of NAV, less any fees and charges assessed on redemption. Less frequently, some mutual funds have the option to redeem shares using the underlying stocks in the fund’s portfolio, or may delay redemption for a defined period.

Mutual funds also have features that some investors might view as disadvantages:

Costs Despite Negative Returns

Investors must pay sales charges, annual fees, and other expenses regardless of how the fund performs. Depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive. This includes instances where the fund went on to perform poorly after purchasing shares.

Lack of Control

Investors typically cannot ascertain the exact make-up of a fund’s portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.

Price Uncertainty

With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or your investment adviser. Investors can also monitor how a stock’s price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund’s NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

Different Types of Funds

When it comes to investing in mutual funds, investors have literally thousands of choices. Most mutual funds fall into one of three main categories; money market funds, bond funds (also called “fixed income” funds), and stock funds (also called “equity” funds). Each type has different features and different risks and rewards. Generally, the higher the potential return, the higher the risk of loss.

Money Market Funds

Money market funds have relatively low risks, compared to other mutual funds (and most other investments). By law, they can invest in only certain high-quality, short-term investments issued by the U.S. Government, U.S. corporations, and state and local governments. Money market funds try to keep their net asset value (NAV), which represents the value of one share in a fund, at a stable \$1.00 per share. However, the NAV may fall below \$1.00 if the fund's investments perform poorly. Investor losses have been rare, but they are possible. Money market funds pay dividends that generally reflect short-term interest rates, and historically the returns for money market funds have been lower than for either bond or stock funds. That is why "inflation risk," the risk that inflation will outpace and erode investment returns over time, can be a potential concern for investors in money market funds.

Bond Funds

Bond funds generally have higher risk than money market funds, largely because they typically pursue strategies aimed at producing higher yields. Unlike money market funds, the SEC's rules do not restrict bond funds to high quality or short-term investments. Because there are many different types of bonds, bond funds can vary dramatically in their risks and rewards.

Some of the risks associated with bond funds include:

Credit Risk

There is a possibility that companies or other issuers may fail to pay their debts (including the debt owed to holders of their bonds). Consequently, this affects mutual funds that hold these bonds. Credit risk is less of a factor for bond funds that invest in insured bonds or U.S. Treasury Bonds. By contrast, those that invest in the bonds of companies with poor credit ratings generally will be subject to higher risk.

Interest Rate Risk

There is a risk that the market value of the bonds will go down when interest rates go up. Because of this, investors can lose money in any bond fund, including those that invest only in insured bonds or U.S. Treasury Bonds. Funds that invest in longer-term bonds tend to have higher interest rate risk.

Prepayment Risk

Issuers may choose to pay off debt earlier than the stated maturity date on a bond. For example, if interest rates fall, a bond issuer may decide to "retire" its debt and issue new bonds that pay a lower rate. When this happens, the fund may not be able to reinvest the proceeds in an investment with as high a return or yield.

Stock Funds

Although a stock fund's value can rise and fall quickly (and dramatically) over the short term, historically stocks have performed better over the long term than other types of investments. This is true for corporate bonds, government bonds, and treasury securities. Overall "market risk" poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons—such as the overall strength of the economy or demand for particular products or services. Not all stock funds are the same.

Alternative Investment Funds

Alternative investments fall outside the three traditional asset types (stocks, bonds, and cash), and include hedge funds, managed futures, real estate, commodities and derivatives contracts. Alternative investment funds generally seek to provide returns with a low correlation to returns of standard asset classes. Each fund is subject to specific and often enhanced risks, depending on the nature of the fund. Clients should carefully review the prospectus disclosures and offering documents of these products, which contain important information about the specific risks of the product.

Tax Consequences of Mutual Funds

When investors buy and hold an individual stock or bond, the investor must pay income tax each year on the dividends or interest the investor receives. However, the investor will not have to pay any capital gains tax until the investor actually sells and makes a profit. Mutual funds are different. When an investor buys and holds mutual fund shares, the investor will owe income tax on any ordinary dividends in the year the investor receives or reinvests them. Moreover, in addition to owing taxes on any *personal capital gains* when the investor sells shares, the investor may have to pay taxes each year on *the fund's capital gains*. That is because the law requires mutual funds to distribute capital gains to shareholders if they sell securities for a profit that cannot be offset by a loss.

Closed-end Funds

Closed-end funds do not continually offer their shares for sale. Rather, they sell a fixed number of shares at an initial offering, after which the shares typically trade on a secondary market, such as the New York Stock Exchange or the NASDAQ Stock Market. Risk factors pertaining to closed-end funds vary from fund to fund.

Closed-end funds are generally subject to the same risks that we describe under open-end mutual funds above. In addition, they may be subject to the following:

Valuation Risk

Common shares may trade above (a premium) or below (a discount) the net asset value (NAV) of the trust/fund's portfolio. At times, discounts could widen or premiums could shrink, and could either dilute positive performance or compound negative performance. There is no assurance that discounted funds will appreciate to their NAV.

Fluctuating Dividends in Actively Managed Portfolios

The composition of the trust/fund's portfolio could change, which, all else being equal, could cause a reduction in dividends paid to common shares. Certain closed-end funds invest in common stocks. There is no guarantee of dividends from these common stocks. Fluctuations in dividend levels over time, up and down, are to be expected.

Interval Funds

"Interval funds" are unlisted closed-end funds and therefore do not trade in a secondary market. Limited liquidity is provided to shareholders only through the fund's periodic offers at preset intervals to repurchase a specified percentage of its outstanding shares at net asset value. Investors should consider shares of interval funds to be an illiquid investment.

Exchange Traded Funds (ETFs)

An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) containing a basket of stocks. Typically, the objective of an ETF is to achieve the same return as a particular market index, including sector indexes. An ETF is similar to an index fund in that it will primarily invest in securities of companies that are included in a selected market. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETFs trade throughout the day on an exchange. Like stock mutual funds, the prices of the underlying securities and the overall market may affect ETF prices. Similarly, factors affecting a particular industry segment may affect ETF prices that track that particular sector.

Equity Securities

Equity securities represent an ownership position in a company. Equity securities typically consist of common stocks. The prices of equity securities fluctuate based on, among other things, events specific to their issuers and market, economic and other conditions. For example, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices.

There may be little trading in the secondary market for particular equity securities, which may adversely affect ICR's ability to dispose of such equity securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of equity securities.

Real Estate Investment Trusts (REITs)

Securities issued by real estate investment trusts (REITs) primarily invest in real estate or real estate-related loans. Equity REITs own real estate properties, while mortgage REITs hold construction, development and/or long-term mortgage loans. Changes in the value of the underlying property of the trusts, the creditworthiness of the issuer, property taxes, interest rates, tax laws, and regulatory requirements, such as those relating to the environment all can affect the values of REITs. Both types of REITs are dependent upon management skill, the cash flows generated by their holdings, the real estate market in general, and the possibility of failing to qualify for any applicable pass-through tax treatment or failing to maintain any applicable exemptive status afforded under relevant laws.

ITEM 9 - DISCIPLINARY INFORMATION

ICR does not have any disciplinary information to disclose.

ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

ICR does not offer any other services or have any affiliates in the financial industry.

ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

ICR believes that we owe clients the highest level of trust and fair dealing. Further, as part of our fiduciary duty, we place the interests of our clients ahead of the interests of the firm and our personnel. ICR's personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

ICR's Code of Ethics attempts to address specific conflicts of interest that either we have identified or that could likely arise. The Code of Ethics sets clear guidelines for ICR's employees to follow in areas such as gifts and entertainment, other business activities, and adherence to applicable state and federal securities laws. All personnel receive a copy of each amendment of the Code of Ethics, which they acknowledge in writing. Additionally, employees of ICR are subject to personal trading policies governed by the Code of Ethics (see below). The Code of Ethics includes reporting requirements for ICR's personnel to report their personal securities transactions.

ICR will provide a complete copy of the Code of Ethics to any client or prospective client upon request. Such requests should be made by contacting us at the address or phone number on the cover of this brochure.

The following items represent situations where a conflict of interest may exist between the client and ICR.

Personal Trading Practices

ICR and our personnel may purchase or sell securities for themselves that we also recommend to clients. This includes related securities (e.g., warrants, options, or futures). This presents a potential conflict of interest as we may have an incentive to favor our personal trades over client transactions or use the information about the transactions we intend to make for clients to our personal benefit.

Our policies to address these conflicts include the following:

1. ICR and our personnel may purchase or sell securities for themselves, regardless of whether the same transaction would be appropriate for any client account.
2. With the exception of open-end mutual funds, the client receives the opportunity to act on investment recommendations prior to and in preference to accounts of ICR and our personnel.
3. With the exception of open-end mutual funds, when ICR is purchasing or considering purchasing a security on behalf of a client, no person of ICR may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when ICR is selling or considering the sale of a security on behalf of a client, no person of ICR may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security.

4. Conflicts of interest also may arise when ICR's personnel become aware of Limited Offerings or IPOs. Such trading includes private placements or offerings in interests in limited partnerships or any thinly traded securities, whether public or private. Given the inherent potential for conflict, Limited Offerings or IPOs demand extreme care. ICR's personnel are prohibited from transacting in these securities.
5. ICR requires our personnel to seek pre-approval before trading certain securities.
6. ICR prohibits trading in a manner that takes personal advantage of price movements caused by client transactions.
7. ICR maintains required personal securities transaction records.

ITEM 12 - BROKERAGE PRACTICES

Factors Considered in Selecting Broker-Dealers for Client Transactions

We generally require that clients execute their securities transactions through Fidelity Institutional Wealth Services ("FIWS") through Fidelity Brokerage Services LLC, registered broker-dealers, Members SIPC. ICR is independently owned and operated and not affiliated with FIWS.

ICR uses several factors to evaluate FIWS for client recommendation. Factors that ICR may consider when recommending FIWS may include ease of use, reputation, service execution, pricing, investment options available and financial strength. ICR may also take into consideration the availability of the products and services received or offered.

FIWS may charge commissions (ticket charges) for executing our transactions. We do not receive any part of these separate charges. We may require that clients establish accounts with FIWS to maintain custody of clients' assets and to effect trades for their accounts. FIWS may provide us with access to their institutional trading and custody services, which are typically not available to FIWS retail investors. FIWS's services include brokerage custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For ICR's clients who choose to have their assets held at FIWS, FIWS will not charge separately for custody; however, FIWS is compensated by account holders through commissions or other transaction-related fees on securities trades that are executed through FIWS or that settle into FIWS. Client may refer to their account agreement with Fidelity for specific information regarding fees and account features.

Research and Other Soft Dollar Benefits

FIWS makes available to us other products and services that may benefit us but may not benefit our clients. These types of services will help us in managing and administering client accounts. These include software and other technology that provide access to client account data (i.e. trade confirmations and account statements); facilitate trade executions; provide research, pricing information, and other market data; facilitate in the payment of our fees from our clients' accounts; and assist with back-office functions, record keeping, and client reporting. Many of these services may be used to service all or a substantial number of our accounts. We place trades for our clients' accounts subject to our duty to

seek best execution and other fiduciary duties. We may use broker-dealers other than FIWS to execute trades for client accounts maintained at FIWS, but this practice may result in additional costs to clients so we are more likely to place trades through FIWS rather than other broker-dealers. FIWS's execution quality may be different from other broker-dealers.

FIWS may also provide other benefits such as educational events, conferences on practice management, regulatory compliance, and information technology. FIWS may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to ICR.

None of the benefits received from FIWS are contingent upon ICR committing any specific amount of business to FIWS in connection with client securities transactions.

ICR has received benefits from various mutual fund companies. These benefits include paid conference fees and related travel expenses, entertainment, and meals associated with attending mutual fund conferences. Clients should be aware that these benefits create a conflict of interest between ICR and those clients to whom ICR recommends the mutual funds of these companies. To address this conflict ICR has implemented a process for selecting mutual funds. This process consists of several steps. First, we screen for funds based on our macroeconomic view. Next, we use Morningstar and/or publicly available research to narrow down investment options based on the criteria identified in **Item 8**.

We do not feel the benefits that we receive compromise our judgment in recommending funds to clients. As part of our fiduciary duty to clients, ICR endeavors at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by ICR or our personnel in and of itself creates a potential conflict of interest and may indirectly influence ICR's recommendation of FIWS for custody and brokerage services and recommending funds.

Aggregation and Allocation of Transactions

ICR typically recommends mutual funds, closed-end funds (CEFs), and exchange-traded funds (ETFs). ICR does not aggregate mutual fund orders as the firm conducts client transactions independently. ICR believes that while aggregating non-mutual fund trades may benefit clients by purchasing or selling in larger blocks, we do not feel that clients are at a disadvantage by our policy not to aggregate mutual fund trades, as the daily price is the same for each investor.

When transacting in CEFs and ETFs we may aggregate transactions if we believe that aggregation is consistent with the duty to seek best execution for our clients and is consistent with the disclosures made to clients and terms defined in the client investment advisory agreement. No advisory client will be favored over any other client, and each account that participates in an aggregated order will participate at the average share price (per custodian) for all transactions in that security on a given business day. ICR does not aggregate trades of our personnel with those of client accounts.

ITEM 13 - REVIEW OF ACCOUNTS

Managed Account Reviews

We manage portfolios on a continuous basis and generally review positions in client accounts at least quarterly. We offer account reviews to clients on a quarterly basis. Clients should contact our office to request such reviews. Clients may choose to receive reviews in person, by telephone, or in writing. Mr. Jim Heine, Chief Investment Officer, or Mr. James Cobb, Chief Financial Officer, conducts reviews based on a variety of factors. These factors may include but are not limited to stated investment objectives, economic environment, outlook for the securities markets, and the merits of the securities in the accounts.

In addition, we may conduct a special review of an account based upon one or more of the following:

1. A change in the client's investment objectives, guidelines and/or financial situation
2. Tax considerations, or
3. Material cash deposits or withdrawals.

Account Reporting

Each client receives a written statement from the custodian that includes an accounting of all holdings and transactions in the account for the reporting period. In addition, ICR provides written reports detailing performance in client accounts on a quarterly basis. ICR may also provide additional reporting as agreed upon by ICR and the client on a case-by-case basis.

ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

Client Referrals

ICR does not receive any economic benefit from a person who is not a client for providing investment advice or other advisory services to ICR's clients. ICR does not compensate any person directly or indirectly who is not an employee of the firm for client referrals.

Outside Compensation

ICR may refer clients to unaffiliated professionals for specific needs, such as accounting and legal services. In turn, these professionals may refer clients to ICR for investment advisory services. ICR does not have any agreements with individuals or companies that we refer clients to, and we do not receive any compensation for these referrals. However, someone might conclude that ICR is receiving an indirect economic benefit from the arrangement, as the relationships are mutually beneficial. For example, there could be an incentive for us to recommend services of firms who refer clients to ICR.

ICR only refers clients to professionals that ICR believes to be competent and qualified in their field. Clients have a responsibility to do their own review of the provider. We will generally provide clients with a list of professionals that the client can contact, and it is solely the client's decision whether to engage a recommended firm. Clients are under no obligation to purchase any products or services through these professionals, and ICR has no control over the services provided by another firm. Clients

who choose to engage these professionals will sign a separate agreement with the other firm. Fees charged by the other firm are separate from and in addition to fees charged by ICR.

If the client desires, ICR will work with these professionals or the client's other advisers (such as an accountant, attorney, or financial planner) to help ensure that the provider understands the client's investment portfolio and to coordinate services for the client. ICR will never share information with an unaffiliated professional unless first authorized by the client.

ITEM 15 - CUSTODY

ICR does not take physical custody of client funds or securities. For the convenience of the client, we will set up quarterly fee deduction ability from the client's account, when authorized by the client.

ICR will not have custody of our clients' funds or securities when the clients authorize us to deduct our management fees directly from the client's account if all of the following requirements are met:

1. Clients' accounts are held by a qualified custodian (generally a broker-dealer, bank, trust company, or other financial institution).
2. Clients will receive statements directly from their qualified custodian at least quarterly. The statements will reflect the client's funds and securities held with the qualified custodian as well as any transactions that occurred in the account, including the deduction of ICR's fee.
3. Each billing period, we send clients a statement showing the value of the client's assets upon which the fee is based, the amount of the fee, and how we calculated the fee.
4. We send the amount of our fee to the custodian.
5. It is the client's responsibility to verify the accuracy of the fee calculation. The custodian will not determine whether the fee is properly calculated.

ITEM 16 - INVESTMENT DISCRETION

ICR has full discretion to decide the specific security to trade, the quantity, and the timing of transactions for client accounts. ICR will not contact clients before placing trades in their account, but clients will receive confirmations directly from the broker for any trades placed. Clients grant us discretionary authority in the contracts they sign with us. Clients also give us trading authority over their accounts when they sign the custodian paperwork.

However, certain client-imposed conditions may limit ICR's discretionary authority, as when the client prohibits transactions in specific security types. See also **Item 4 - Tailored Services and Client Imposed Restrictions** and **Item – 12 Brokerage Practices**, above.

ITEM 17 - VOTING CLIENT SECURITIES

Proxy Voting

ICR does not accept authority to vote client securities. ICR does not have authority to vote client securities. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent.

Class Actions

ICR does not instruct or give advice to clients on whether or not to participate as a member of class action lawsuits and will not automatically file claims on the client's behalf. However, if a client notifies us that they wish to participate in a class action, we will provide the client with any transaction information pertaining to the client's account needed for the client to file a proof of claim in a class action.

ITEM 18 - FINANCIAL INFORMATION

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition. ICR has not been the subject of a bankruptcy petition during the past 10 years. ICR does not require the prepayment of more than \$500 in fees per client, six months or more in advance, and does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

ITEM 19 - REQUIREMENTS FOR STATE-REGISTERED ADVISERS

We have disclosed material conflicts of interest required under Section 260.238(k) of the California Corporate Securities Law of 1968 regarding ICR, our representatives or our employees, which we expect could reasonably impair the rendering of unbiased and objective advice.

Principal Executive Officers and Management Persons

See disclosures under **Item 4 - Advisory Business**, above. A description of the Principal Executive Officer and Management Person's education and business background is included in the brochure supplement, Form ADV Part 2B, which is provided to clients initially. Clients can also get a copy of the brochure supplement for ICR's officers at any time by contacting us at the address or phone number on the cover page of this brochure.

Other Business Activities

ICR's sole business is providing investment advice.

Performance-Based Fees

ICR does not charge performance-based fees or other fees based on a share of capital gains or on capital appreciation of the assets of a client.

Legal and Disciplinary Issues

ICR and our personnel seek to maintain the highest level of business professionalism, integrity, and ethics. Neither ICR nor our management persons have any legal or disciplinary events to disclose.

Arrangements with Securities Issuers

ICR and our personnel have no relationships or arrangements with issuers of securities.

Form ADV, Part 2B Brochure Supplement

Investment Counselors of Redlands LLC

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Redlands, CA 92373
909-792-0711
www.icredlands.com

James (“Jim”) Heine
&
James Cobb, CFP®

March 8, 2018

This brochure supplement provides information about James Heine and James Cobb that supplements the Investment Counselors of Redlands LLC brochure. You should have already received a copy of that brochure. Please contact Mr. James Heine if you did not receive our brochure or if you have any questions about the contents of this supplement. Additional information about James Heine and James Cobb is also available on the SEC’s website at www.adviserinfo.sec.gov.

James (“Jim”) Heine

ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

James (“Jim”) Heine, Principal, Compliance Officer and Chief Investment Officer, b. 1953

Education:

- Attended Columbia Union College 1972-1976 (Pre-Medical)
- Attended Loma Linda University School of Medicine 1977-1979

Business Background:

- 04/2006 to Present: Investment Counselors of Redlands LLC, Principal, Compliance Officer and Chief Investment Officer
- 04/2006 to 12/2009: Triad Advisors, Inc., Registered Representative
- 01/2001 to 04/2006: The Seidler Companies Affiliate, Constellation Advisors Inc. / Seidler Investment Advisors Inc., Registered Representative

Professional Designations

Accredited Investment Fiduciary

The Accredited Investment Fiduciary (“AIF®”) designation is issued by the Center for Fiduciary Studies. To earn the designation, each AIF® candidate must complete either a web-based or capstone program, pass a final certification exam, and complete a minimum of 6 hours of continuing education per year. AIF® designees must also sign and agree to abide by a code of ethics. More information regarding the AIF is available at http://www.fi360.com/main/designations_aif.jsp.

ITEM 3 - DISCIPLINARY INFORMATION

Jim Heine has no disciplinary history to disclose.

ITEM 4 - OTHER BUSINESS ACTIVITIES

Jim Heine currently serves on the Board of Trustees for Redlands Symphony Association (“RSA”). In that role, Mr. Heine has a fiduciary duty to RSA and may serve on various committees. He spends approximately ten hours per month in service to RSA. ICR has a policy that advisor affiliates may only serve on the board of one outside organization at a time, may not be compensated for that service, and may not be authorized signers for any investment or bank accounts for that organization.

ITEM 5 - ADDITIONAL COMPENSATION

Jim Heine’s primary compensation comes from his regular salary and ownership of Investment Counselors of Redlands LLC.

ITEM 6 - SUPERVISION

Jim Heine is the Principal of Investment Counselors of Redlands LLC and supervises all employees.

ITEM 7 - REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Jim Heine has no additional disclosures.

James Cobb

ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

James Cobb, CFP®, Chief Financial Officer and Investment Adviser Representative, b. 1982

Education:

- Claremont McKenna College, BA, Economics-Accounting, 2004 (cum laude)

Business Background:

- 2006 to present: Investment Counselors of Redlands LLC, Chief Financial Officer and Investment Adviser Representative
- 2005 to 2006: The Seidler Companies, Inc. & Seidler Investment Advisors Inc., Investment Adviser Representative
- 2004 to 2005: Pricewaterhouse Coopers LLP, Auditor

Professional Designations

Certified Financial Planner

The CERTIFIED FINANCIAL PLANNER™ and CFP® (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. The CFP® certification is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and

- Ethics – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board’s enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

ITEM 3 - DISCIPLINARY INFORMATION

James Cobb has no disciplinary history to disclose.

ITEM 4 - OTHER BUSINESS ACTIVITIES

James Cobb currently serves on the Board of Trustees for Kimberly Shirk Association (“KSA”). In that role, Mr. Cobb has a fiduciary duty to KSA and may serve on various committees. He spends approximately ten hours per month in service to KSA. ICR has a policy that advisor affiliates may only serve on the board of one outside organization at a time, may not be compensated for that service, and may not be authorized signers for any investment or bank accounts for that organization.

ITEM 5 - ADDITIONAL COMPENSATION

James Cobb’s primary compensation comes from his regular salary from Investment Counselors of Redlands LLC.

ITEM 6 - SUPERVISION

The advice that James Cobb provides is monitored for consistency with client objectives and the policies of Investment Counselors of Redlands LLC. In addition, Mr. James Heine, Chief Investment Officer, reviews the recommendations and reports prepared by James Cobb. Mr. James Heine is responsible for supervising James Cobb’s activities. Jim Heine’s phone number is 909-792-0711.

ITEM 7 - REQUIREMENTS FOR STATE-REGISTERED ADVISERS

James Cobb has no additional disclosures.

PRIVACY STATEMENT

At Investment Counselors of Redlands LLC, we are committed to preserving the confidentiality of the personal information we receive about you. The following information is provided to help you understand how we gather, use and protect personal information.

You typically provide personal information when communicating with us or other persons, in writing, by phone or electronically. Examples of this information include:

- Name
- Address
- Social Security Number
- Date of Birth
- Information about Your Transactions

This information may be provided in account applications, other forms and from your transactions with our business partners, other persons and us. We also may request information for identification purposes, to fulfill regulatory requirements, and to assist you in making financial decisions and in performing transactions for you.

Any information described above may be shared among our business partners, which provide services in connection with your investment. We also may share this information with unrelated financial service providers, non-financial companies and others, which supply services related to your account. Examples of these services are:

- Transaction Processing
- Account Servicing

We do not disclose the names and addresses of our customers to companies which perform marketing services or to other financial institutions. We also do not disclose nonpublic personal information about customers or former customers to any unrelated party, except as permitted by law.

We use security measures reasonably designed to protect the information we obtain about you. These include:

Third parties performing services for us and having access to your information are required to maintain the confidentiality of the information.

We restrict access to your information in our own offices to specific individuals who have a need to use that information in connection with their employment, and those individuals are subject to an internal confidentiality policy.

We employ data encryption, user names and passwords, web server technologies and other techniques to protect the confidentiality of stored information and electronic transfers of information.

The accuracy of your personal information is important. If you need to correct or update your personal or account information, please contact us at 909-792-0711. We will review, correct or update your information.