

# Independent Investors, Inc.

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Form ADV Part 2A

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**This brochure provides information about the qualifications and business practices of Independent Investors, Inc. If you have any questions about the contents of this brochure, please contact Margaret E. Moloney at [mmoloney@independent-investors.com](mailto:mmoloney@independent-investors.com) or 800-237-9044. 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 Independent Investors, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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### **Independent Investors, Inc. (SEC No. 801-19338)**

#### **Item 2 Material Changes**

The SEC adopted “Amendments to Form ADV” in July 2010 wherein investment advisors were required to send to their clients a brochure regarding the business practices of their firm prepared in accordance with the SEC’s new rules and requirements. Each year the investment advisor must provide clients with a copy of the Firm Brochure including a summary of any material changes made since the previous year or simply a summary of the material changes. This must be provided to clients within 120 days of the end of the advisor’s fiscal year.

There have been no material changes made to this brochure.

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### **Independent Investors, Inc. (SEC No. 801-19338)**

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

Independent Investors, Inc. is an investment advisory firm, founded by Patrick N. Moloney in 1983 after 23 years of employment at Chemical Bank. Patrick N. Moloney passed away on May 14, 2014 and his wife, Elizabeth, became the sole owner of Independent Investors, Inc. As explained to clients in a letter dated May 22<sup>nd</sup> Margaret Moloney who joined the firm in 1991 assumed the role of President and will guide the firm going forward. Additional portfolio managers Arthur Schweithelm and Kevin Moloney joined the firm in 2003 and 2004 respectively. Independent Investors, Inc. provides portfolio management services, primarily on a discretionary basis, and, to a lesser extent, on a non-discretionary basis to individuals, high net worth individuals, trusts and charitable foundations. As of December 31, 2018, Independent Investors, Inc. managed \$262,000,000.00, of which \$35,000,000.00 was on a non-discretionary basis and \$227,000,000.00 on a discretionary basis. We believe the independent structure of our firm provides us with the capability to tailor our advisory services to the individual needs, risk tolerances and investment objectives of each client. We strive to provide customized portfolios and work with clients regarding their preferences of asset type, sector distribution and even specific company restrictions.

#### **Privacy Policy:**

Independent Investors, Inc. is committed to maintaining the privacy of our current, former and prospective clients. We recognize that you entrust us with important personal financial information, and we assure you that protecting and safeguarding that information is one of our highest priorities.

In the course of providing products and services, we collect nonpublic personal information about our clients. This information may be obtained from applications, forms, questionnaires, agreements or other sources during the course of establishing a customer relationship. This information may include your name, address, e-mail address, social security number, financial situation and other personal information. We request such information in order to handle your account properly, and to provide you with the highest level of service possible.

We do not disclose any nonpublic personal information about our clients, prospective clients or former clients to any nonaffiliated parties, except as necessary to service our clients or as permitted by law. For example, on occasion, we may be required to provide information about you and your accounts and transactions to governmental agencies and self-regulatory organizations in order to fulfill legal and regulatory requirements. We must and will comply with these laws, to the extent we are required to do so.

We do not disclose any nonpublic personal information about our clients, former clients or prospective clients to any outside organization for marketing purposes.

We restrict access to nonpublic personal information about you to those employees, agents and other parties who need to know that information to provide products or services to you. We maintain physical, electronic and procedural safeguards to protect your nonpublic information.

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For questions regarding this policy, please contact Margaret E. Moloney at (800) 237-9044.

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

Independent Investors, Inc. is compensated for portfolio management services based on a fee of 1% of assets under management. Fees are charged and billed quarterly, at the end of each quarter, pursuant to client stated preference and authorization. The investment advisory fee is based on the full market value of the investment account, including any assets in the account bought or held as an accommodation to the client and the fee is directly debited from the client's custodial account. Fees are payable after service has been rendered. The client and investment advisor have equal powers to terminate service at any time upon written notice of termination to the other. In case of termination, fees will be prorated. The minimum account size at Independent Investors, Inc., is one million dollars and, therefore, the minimum annual advisory fee is \$10,000.00. However, fees and minimum account size may be negotiated at the discretion of the advisor. Clients also pay custody fees directly to their chosen custodian bank or broker. In addition, cash balances are swept into money market funds at the custodian broker or bank. Such funds are subject to an additional fee by the manager of the money market fund to compensate for client's investment in such fund and to pay clients' pro rata share of the fund's expenses. Mutual funds or exchange traded funds (ETFs) purchased for, or held in, client accounts are also subject to additional fees charged by the mutual fund or exchange traded fund. While clients do pay a commission to the broker utilized for the purchase or sale of any security in their account, Independent Investors, Inc., does not have any arrangement with any firm that financially benefits our firm or employees based on products purchased for client accounts.

### **Item 6 Performance-Based Fees and Side-By-Side Management**

Not applicable. Independent Investors, Inc. does not charge performance-based fees.

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

Independent Investors, Inc., provides portfolio management services to individuals, high-net-worth individuals, trusts and charitable foundations. The minimum account size at Independent Investors, Inc., is one million dollars and, therefore, the minimum annual investment advisory fee is \$10,000.00. On occasion we do waive the minimum account size, based usually on a family relationship. Since we do not advertise, our business has grown through client referrals, sometimes from family members. We appreciate the trust placed in our firm and have waived minimums in the past and foresee the possibility of doing so again, at our discretion, in the future.

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

Independent Investors, Inc. employs three portfolio managers, all of whom participate in analysis of the securities utilized in client portfolios. While we focus mainly on fundamental analysis, we do utilize research materials prepared by outside firms, including technical analysis and charting. The sources of information we utilize in our evaluation include financial newspapers and

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magazines, inspections of corporate activities, research materials prepared by others, investment conferences with corporate management and security analysts, corporate rating services, company-specific annual reports, prospectuses, filings with the SEC, and press releases. We recommend investments in equity securities, including exchange-listed securities, over-the-counter traded securities, foreign issues via ADRs, warrants, corporate debt securities, certificates of deposit, municipal securities, investment company securities, mutual fund shares, exchange traded funds, structured products and United States government and agency securities. Investing in securities involves the risk of loss that clients should be prepared to assume. This point seems obvious and we endeavor to limit any loss to our clients but the fact is that all asset classes bear some risk and investments made for clients are subject to a variety of market risks including geopolitical, acts of nature, currency, interest rate fluctuations, sector and company-specific risks.

Depending on a client's risk tolerance and the current state of the financial markets, we strive to invest in a diversified portfolio of appropriate securities to generate the highest potential reward, while mitigating risk to the practical extent possible. We believe that a long-term view of financial markets is the most appropriate strategy for our clients and our style of investing, but we do utilize short-term trading opportunities, on occasion.

Independent Investors, Inc. has invested in private placements in the past and anticipates the possibility of doing so again in the future, but, only for clients with long-term horizons and more aggressive objectives. Independent Investors, Inc. will obtain client approval, even for discretionary accounts, before investing in private placements as these investments carry an additional risk relating to their lack of liquidity.

### **Item 9 Disciplinary Information**

Registered investment advisors are required to disclose all material facts regarding any legal disciplinary events that would be material to your evaluation of Independent Investors, Inc. or the integrity of Independent Investors Inc.'s management. Neither Independent Investors, Inc., nor the management, has ever been subject to a legal or disciplinary event.

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

10 A & B. Not applicable. Neither Independent Investors, Inc., nor any management persons, are registered, or have an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

10 C. Not applicable. Independent Investors, Inc. does not have any relationship or arrangement that is material to our advisory business with any other firm where any of our management persons may have a related person.

10 D. Not applicable. Independent Investors, Inc. does not select other investment advisors for our clients.

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

Independent Investors, Inc. serves as an Investment Advisor under the Investment Advisors Act of 1940, and has adopted a Code of Ethics (the “Code”) in compliance with Rule 204A-1 under the Act for all supervised persons of the firm, which describes the firm’s fiduciary duty to its clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Independent Investors, Inc. will not interfere with making decisions in the best interest of advisory clients and implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Independent Investors, Inc.’s clients. The Code allows Employees, Directors and Officers (hereinafter referred to as “employees”) to maintain personal securities accounts provided any personal investing is consistent with Independent Investors, Inc.’s fiduciary duty to its clients and consistent with regulatory requirements.

#### **Compliance with Laws and Regulations & Standards of Business Conduct**

It is unlawful for any employee of Independent Investors, Inc. in connection with the purchase or sale, directly or indirectly, of a security held or to be acquired by a client:

To defraud such client in any manner;

To mislead such client, including making a statement that omits or misrepresents material facts;

To engage in any act, practice or course of conduct which constitutes, or would constitute, as a fraud or deceit upon such client;

To engage in any manipulative practice with respect to such client; or

To engage in any manipulative practice with respect to securities, including price manipulation.

Independent Investors, Inc. recognizes that all employees owe a fiduciary duty to its clients and will follow the standards of business conduct below:

The duty at all times is to place the interests of our clients first;

The requirement that all personal securities transactions be conducted in such a manner as to be consistent with the Code, and to avoid any actual, or potential, conflict of interest or any abuse of an employee’s positions of trust and responsibility;

The principle that investment advisory personnel should not take inappropriate advantage of their positions;

The fiduciary principle that information concerning the identity of security holdings and

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financial circumstances of clients is confidential; and

The standards discussed in this section shall govern all conduct, whether or not the conduct also is covered more specific standards and procedures set forth below.

### **Procedures**

All employees of Independent Investors, Inc. are required to abide by the Code as it pertains to employee and employee-related trading in Covered Securities. This type of trading, with the exception of “exempted transactions,” as defined below, should include self-directed activity for oneself, as well as for one’s spouse, minor children, or any person who lives with the employee, as well as any other account in which an employee may have any direct or indirect beneficial ownership:

It is conceivable that an employee of Independent Investors, Inc. will want to buy or sell securities on the supervised list monitored by the firm. In such instances the employee may participate in the trade, if implemented as a batched trade. However, if full order is not completed, employee and related accounts will be deleted first and remaining client accounts will participate in the partially-executed trade on an equitable, prorated basis. If the employee does not participate in the batched trade, he/she will be restricted from trading in an active security for three business days (blackout period). An active security is one in which is either being purchased or sold for client accounts. If an employee has executed an order within the blackout period, the employee/related account execution will stand as long as the client receives the better execution price. If the employee/related account has received a better price, the employee will need to disgorge the difference to a charity of their choosing and ensure that the Chief Compliance Officer receives documentation of the disgorgement.

Employees must obtain prior approval for all personal security trades from the Chief Compliance Officer. Trades should be written up in the trade sheets prior to issuing the purchase or sale order. Trade Confirmations and monthly Brokerage Statements must be mailed directly to Independent Investors, Inc. from the Broker with whom the trade was completed. Compliance staff will review Trade Confirmations and Brokerage Statements. If the employee is not in the office, he/she must telephone the Chief Compliance Officer, who will then write all approved trades into the trade sheets and telephone the broker to complete the trade.

Employees are restricted from serving on the Board of Directors of any company that is publicly traded.

### **Reporting**

All employees must instruct the custodian of their personal accounts and any related accounts to mail trade confirmations and monthly brokerage statements directly to Independent Investors, Inc. for review and verification with the Independent Investors, Inc. trade sheets.

### **Violations**



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Upon being apprised of facts that indicate that a violation of the Code may have taken place, the Chief Compliance Officer shall determine whether, in its judgment, the conduct being considered did in fact violate the provisions of the Code. If it is determined that a violation of the Code occurred, sanctions appropriate to the circumstances will be imposed.

### **Definitions**

A) Covered Securities shall mean:

i) any stock, bond, future, investment contract or any other investment that is considered a “security” under the Investment Advisors Act. The term “covered security” is very broad, and includes items such as: Options on securities, on indexes and currencies; and Foreign unit trusts.

Covered Securities does not include:

- i) direct obligations of the U.S. government (e.g. treasury securities);
- ii) bankers’ acceptances, bank certificates of deposit, commercial paper and high quality short-term debt instruments, including repurchase agreements;
- iii) shares issued by open-end mutual funds that are not advised or sub-advised by the Firm;
- iv) interests in variable insurance products; and
- v) shares issued by unit investment trusts that are invested exclusively in one or more open-end funds, none of which are funds advised or sub-advised by the Firm.

B) Exempted Transactions

The procedures in the Code shall not apply to transactions concerning:

- i) Non-controlled accounts – purchases or sales implemented in any account over which the employee has no direct or indirect influence or control
- ii) Automatic Dividend Reinvestment – purchases that are part of an automatic dividend reinvestment plan;
- iii) Spin-Offs – the acquisition of a new security from the issuer of a security previously held;
- iv) Exercises and Sales of Rights. Purchases effected upon the exercise of rights issued by an issuer to all holders of a class of securities as gifts and bequests and the making of personal or charitable gifts or bequests of securities.

C) Direct Beneficial Ownership

Shall mean:

- i) For your benefit by others, including, but not limited to brokers, custodians and financial advisors;
- ii) For the benefit of your spouse, minor children or any relative or unrelated person who shares your home;
- iii) By a partnership of which you are a partner;
- iv) By a company over which you have a controlling influence and which is primarily engaged in the business of investing or trading in securities; and by a trust over which you have any direct or indirect control and under which either you or any member of your family is a beneficiary, or over which you have the power to revoke and vest or re-vest title to yourself.

A copy of our Code of Ethics will be provided to any client or prospective client upon request.

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11 B. Not applicable. Independent Investors, Inc. does not buy or sell for client accounts securities in which the firm or any related person has a material financial interest, i.e. (1) we do not buy securities from or sell securities to our clients, (2) we do not act as general partner in a partnership in which we solicit client investments, or (3) we do not act as an investment advisor to an investment company that we recommend to clients.

### **Item 12 Brokerage Practices**

Transactions for client accounts held in custody at broker-dealers will be executed only through the custodian/broker-dealer initially selected by the client.

The following is expected of broker-dealers:

1. Financial stability;
2. Reasonable commission rates, significantly below the broker-dealer's published rates;
3. Good trading facilities;
4. Good execution;
5. Timely notice when trades are completed.

OTC equity transactions are necessarily executed through broker-dealers on an agency basis and the resulting commission includes a mark-up, or mark-down, in the offering, or bid price. Independent Investors, Inc. generally purchases and occasionally sells securities for clients where we have discretionary authority as a batched order and clients do not receive any additional commission savings on batched transactions. Independent Investors, Inc. has successfully negotiated rates that are significantly below the selected broker's published rates. While there are no conditions and no reciprocal agreements (i.e. soft dollar agreements) regarding research, Independent Investors, Inc. does receive access to institutional trading, custody services, research and software from brokers and custodian banks which are not typically available to retail investors. Independent Investors, Inc. does make known to clients the preferential rates available to them should they accept its recommendation. However, the client has the final say in authorizing the broker-dealer to be used. If client chooses a broker-dealer outside of Independent Investors, Inc.'s universe, we cannot guarantee the same discounted rates and client will be required to negotiate rates with their chosen broker-dealer.

As an investment advisory firm, Independent Investors, Inc. has a fiduciary and fundamental duty to seek best execution for client transactions. Independent Investors, Inc., as a matter of policy and practice, seeks to obtain best execution for client transactions, i.e., seeking to obtain not necessarily the lowest commission, but the best overall qualitative execution in the circumstances particular to each transaction. Independent Investors, Inc. considers the full range and quality of a broker-dealer's services in placing orders, including among other factors, execution capability, commission rates, financial responsibility and stability, good trading facilities and responsiveness to the investment advisor including timely notice when trades are completed. Independent Investors, Inc. has no order routing inducements, payment for order flow, equity interest in market centers, or reciprocal order flow arrangements that would influence the obligation of best execution. Independent Investors, Inc. requires discounted commission rates, which are reviewed periodically.

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### **Directed Brokerage:**

Independent Investors, Inc. does make known to clients the preferential rates available to them should they accept its recommendation. However, client has the final say in authorizing the broker-dealer to be used. If client chooses a broker-dealer outside of Independent Investors, Inc.'s universe of broker-dealers, Independent Investors, Inc. will not be able to guarantee the same discounted rates and client will be required to negotiate rates with their chosen broker-dealer.

### **Item 13 Review of Accounts**

All accounts are screened several times each month by President and Vice Presidents who examine each account to ensure that asset allocation and selection are in compliance with client's stated objectives. Any news items affecting a corporation within the applicant's security universe will automatically trigger special reviews – i.e. earnings reports, mergers and acquisitions, management changes, annual meetings, stock dividends/splits, increase/decrease in reported dividends, etc.

Independent Investors, Inc. will provide quarterly written reports to clients reflecting original costs, current price and market values, estimated annual income and current yield on bonds. Quarterly realized gains/loss schedules are also provided where applicable or when requested.

Client receives supplementary advices and monthly statements from their Custodial Bank or Broker.

Pursuant to recent amendments to Rule 206(4) under the Investment Advisors Act of 1940, the Securities and Exchange Commission now requires all investment advisors to urge clients to compare the information set forth in the statement they receive from their investment advisor with the statements they receive directly from their custodian to ensure that all account transactions are proper.

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

Not applicable. Independent Investors, Inc. does not compensate other firms or individuals for referrals.

### **Item 15 Custody**

Since senior officers of Independent Investors, Inc. have agreed to serve in the capacity of Trustee, Executor, or Power of Attorney for certain client accounts, the firm has been deemed to have custody of some client funds. As a result we have complied with S.E.C. regulations to hire an independent accounting firm to conduct a surprise examination of the accounts where a member of our firm is deemed to have custody, on an annual basis. In addition, all client accounts are held at qualified custodian bank or brokerage offices. Clients receive monthly statements directly from their qualified custodian and quarterly statements from Independent Investors, Inc. Clients should compare the information set forth in the statements they receive

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from Independent Investors, Inc. with the statements they receive directly from their custodian to ensure that all account transactions are proper.

### **Item 16 Investment Discretion**

Independent Investors, Inc., accepts discretionary authority to manage securities accounts on behalf of clients. Clients must sign a Discretionary Agreement before Independent Investors, Inc., assumes this authority. Clients may place restrictions on discretionary authority based on account composition, investment objectives, asset type and/or security selection. Independent Investors, Inc. adheres to the client's investment objectives and restrictions when selecting securities for client accounts.

In certain cases clients do not bestow discretionary authority and Independent Investors, Inc. makes investment recommendations to the client. Upon approval, the portfolio manager executes the purchase or sale order on behalf of the client.

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### Independent Investors, Inc.

#### Item 17 Voting Client Securities

##### Proxy Voting Policies and Procedures

The following Policies and Procedures are designed to ensure that the advisor votes proxies in the best interest of the clients for whom the advisor has voting authority; and describes how the advisor addresses material conflicts between its mandate and those of its clients with respect to proxy voting. The advisor will make copies of these proxy voting policies and procedures available to clients upon request.

##### Proxy Voting Procedures

For every common stock held in client accounts, by client selected custodians, namely State Street Corporation and Merrill Lynch, Independent Investors, Inc. receives an annual report, a stock voting proxy, quarterly statements and periodic special announcement notices. Senior officers of Independent Investors, Inc. carefully read, discuss and review corporate recommendations incorporated in such notices and after careful deliberation vote the proxies by marking for each recommendation the appropriate boxes “for” or “against.” The completed forms are then signed, dated, and promptly returned to the proxy agent in the prepaid, self-addressed envelopes provided by the agent.

Independent Investors, Inc. exercises diligence and care in the process of reviewing and analyzing the individual proposals presented by the management of the respective companies. Officers of Independent Investors, Inc. do not sit on any company boards or have any conflicts of interest that would prevent us from voting in what we believe to be the best interests of our clients. Unless we find special or specific reasons for opposing a particular proposal, we vote the proxy in accordance with management’s recommendations. If a client feels strongly about a specific issue, and notifies us accordingly, we will vote the proxy in accordance with such client’s wishes. In those instances where we are asked to mail particular annual reports and statements to the client, we will do so. Should clients request that all proxies be mailed directly to them for voting we will accommodate their wishes. Any client who wishes to have proxies forwarded directly to them should contact us and we will arrange for all proxy material to be mailed directly to them by the company or companies in question.

Should a client wish to vote any or all proxies for their account, they should contact us directly at 800-237-9044.

##### Proxy Voting Policies

Director Nominations  
Limited Liability  
Staggered Board  
Appointment of Auditors  
Eliminate Non-Employee Director Pensions  
Require Independent Committees

##### Director Issues

Case by case review  
Generally, in favor  
Case by case review  
Generally, with management  
Generally, in favor  
Generally, in favor

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Share and Voting Issues	
Cumulative Voting Repeal	Generally, in favor
Poison Pill Defenses	Case by case review
Stock Splits	Generally, with management
Management Stock Options	Case by case review
Fair Price Amendments	Case by case review
Super Majority	Generally, in favor
Reincorporations	Case by case review
Dual Capitalization	Generally, not in favor
Employee Savings Plans	Generally, in favor
Issuance of Trading Stocks	Case by case review
Management Issues	
Golden Parachutes	General, not in favor
Social Issues	Case by case review
Amending short term Compensation plans	Case by case review

### Resolving Material Conflicts of Interest

Employees are restricted from serving on the Board of Directors of any company that is publicly traded.

In order to keep current with potential conflicts, the advisor will require all principals of the advisor to confirm annually if they have any relationships with any publicly traded companies that could conflict with the advisor's fiduciary duty to vote the proxies of those companies in a manner consistent with the advisor's procedures.

Material conflicts of interest with regard to proxy voting would be handled on a case-by-case basis. Examples of potential conflicts of interest of an advisor may include:

If the advisor manages a pension plan, administers employee benefit plans or provides brokerage, underwriting, insurance or banking services to a company whose management is soliciting proxies;

If the advisor has a material business relationship with a proponent of a proxy proposal and this relationship may influence how the proxy vote is cast;

If the advisor or principals have a business or personal relationship with participants in a proxy contest, corporate directors or candidates for directorships.

Although none of these conditions exist currently, they could in the future and at that point material conflicts of interest between Independent Investors, Inc. and its clients will be resolved as follows:

Independent Investors, Inc. could resolve material conflicts of interest by delegating full voting

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responsibility to a proxy voting service, or by suggesting that a client use another party to determine how proxies should be voted; or

Independent Investors, Inc. may disclose material conflicts of interest to clients and obtain their consent before voting. When seeking such consent Independent Investors, Inc. will provide the client with sufficient information regarding the matter before shareholders and the nature of Independent Investors, Inc.'s conflict to enable the client to make an informed decision; or

Independent Investors, Inc. may resolve material conflicts of interest by taking any other steps that result in a decision to vote the proxies that is based on the client's best interest and is not a result of the conflict.

### **Vote and Policy Disclosure.**

In order to obtain a record of votes cast on their behalf, clients may, upon request to the advisor, receive a report detailing the specifics regarding proxy votes.

### **Item 18 Financial Information**

Not applicable. Item 18 requires investment advisors to provide clients with certain financial information or disclosures about their firm's financial condition that is reasonably likely to impair their ability to meet contractual commitments to clients. Independent Investors, Inc. has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has never been the subject of a bankruptcy proceeding.

### **Item 19 Requirements for State-Registered Advisors**

Not applicable. Independent Investors, Inc. is a federally registered investment advisor.