



INDIVIDUAL PORTFOLIO  
MANAGEMENT SINCE 1979

## INVESTMENT MANAGEMENT ASSOCIATES, INC.

5690 DTC Blvd. Suite 140W  
Greenwood Village, CO 80111  
303-796-8333  
Fax 303-796-2277  
<http://imausa.com>

Part 2A of Form ADV: Firm Brochure

May 21, 2020

This brochure provides information about the qualifications and business practices of Investment Management Associates, Inc. ("IMA"). If you have any questions about the contents of this brochure, please contact us at 303-796-8333 or by email at [contact@imausa.com](mailto:contact@imausa.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. IMA is a Registered Investment Adviser. Registration as an Investment Adviser with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Additional information about IMA is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as an IARD number. The IARD number for IMA is #110900.

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## ITEM 2 – MATERIAL CHANGES

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This section of the Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The following are material changes to report since our last amendment from April 26, 2019.

- Transition from a State of Colorado advisor to an SEC registered investment advisor January 23, 2020.
- ITEM 5 – FEES AND COMPENSATION. We reduced our maximum advisory fee from 2.0% to 1.5%

- ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

We pay referral fees to independent solicitors for the referrals of their clients to our Firm in accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940. Such referral fees represent a share of our investment advisory fee charged to our clients. This arrangement will not result in higher costs to you. In this regard, we maintain Solicitors Agreements in compliance with Rule 206 (4)-3 of the Investment Advisers Act of 1940 and applicable state and federal laws. All clients referred by Solicitors to our Firm will be given full written disclosure describing the terms and fee arrangements between our Firm and Solicitor(s). In cases where state law requires licensure of solicitors, we ensure that no solicitation fees are paid unless the solicitor is registered as an investment adviser representative of our Firm. The solicitor will not provide clients any investment advice on behalf of IMA.

As referenced in Item 12 above, we may receive an indirect economic benefit from our qualified custodian without cost (and/or at a discount) and may receive support services and/or products from our custodians.

If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact our Chief Compliance Officer, Vitaliy Katsenelson at 303-796-8333 or by email at [contact@imausa.com](mailto:contact@imausa.com)

We encourage you to read this document in its entirety.

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## ITEM 4 – ADVISORY BUSINESS

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This Disclosure document is being offered to you by Investment Management Associates, Inc. (“IMA” or “Firm”) about the investment advisory services we provide. It discloses information about our services and the way those services are made available to you, the client.

Our Firm was formed in 1979. The principal owner is Vitaliy N. Katsenelson.

We are committed to helping clients build, manage, and preserve their wealth, and to provide guidance that helps clients to achieve their stated financial goals. We specialize in retirement investing and income generation. We will offer an initial complimentary meeting upon our discretion; however, investment advisory services are initiated only after you and IMA execute an Investment Management Agreement.

### **Investment Management Services**

We manage advisory accounts on a non-discretionary and discretionary basis. Once we determine a client’s profile, income need, and investment plan, we execute the day-to-day transactions with or without prior consent, depending on the client’s agreement with our Firm. Account supervision is guided by the client’s written profile and investment plan. We may accept accounts with certain restrictions if circumstances warrant. We primarily allocate client assets among various equities, and debt securities in accordance with their stated investment objectives and income needs.

In personal discussions with clients, we determine their date and dollar specific objectives, time horizons, risk tolerance and liquidity and income needs. As appropriate, we also review their prior investment history, as well as family composition and background. Based on client needs and goals, we develop the client’s comprehensive financial and investment plan. We then create and manage the client’s investments based on their plan pursuant to achieving their goals. It is the client’s obligation to notify us immediately if circumstances have changed with respect to their goals and income needs.

Once we have determined the appropriate strategy for clients or client businesses and executed the strategy, we will provide ongoing investment review and management services. This approach requires us to periodically review client portfolios.

With our discretionary relationships, we will make changes to the portfolio, as we deem appropriate. We change portfolios when our client's goals change. We tailor our advisory services to meet the needs of our clients and seek to ensure that your portfolio is managed in a manner consistent with those needs and objectives. You will have the ability to leave standing instructions with us to refrain from investing in particular industries or invest in limited amounts of securities.

You are advised and are expected to understand that our past performance is not a guarantee of future results. Certain market and economic risks exist that adversely affect an account's performance. This could result in capital losses in your account.

If a non-discretionary relationship is in place, calls will be placed to the client presenting the recommendation made including a rebalancing recommendation and only upon your authorization will any action be taken on your behalf. Our clients should note that being in a discretionary or non-discretionary account does not affect the management of the accounts. It is the decision of the client on what type account they elect to open with our firm – a discretionary account without prior notification of investment trades or a non-discretionary account as described above.

### **Wrap Fee Programs**

We do not participate in Wrap Fee programs.

### **Assets**

IMA manages \$100,193,326 on a discretionary basis and \$8,582,745 on a non-discretionary basis. Our assets under management for this reference is calculated as all assets of all open accounts regardless of their custodian, objective or fee status. Assets under advisement (accounts using our model) are not calculated / included because we do not actually view / control these accounts.

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## **ITEM 5 - FEES AND COMPENSATION**

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### **Investment Management Fees and Compensation**

Our Firm charges an advisory fee as compensation for providing Investment Management services on client accounts. These services include advisory services, investment supervision, and other account-maintenance activities. Our custodian charges custodial fees, redemption fees, retirement plan and administrative fees or commissions. See Additional Fees and Expenses below for additional details.

Our maximum investment advisory fees as a percentage of assets under management is 1.5%. The specific advisory fees are set forth in your Investment Advisory Agreement. Asset-based fees are billed quarterly in advance and calculated on the last business day of the prior quarter. There may be a possibility for price or account value discrepancies due to quarter-end transactions in an account. Dividends or trade date settlements may occur, and our third-party billing software may report a slight difference in account valuation at quarter end compared to what is reported on your Statement from the Custodian. Our firm has the ability to produce billing summaries, which can be provided upon request.

Clients may make additions to and withdrawals from their account at any time. Additions may be in cash or securities provided that IMA reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets, subject to the usual and customary securities settlement procedures.

We may negotiate a lower advisory fee or have the right to waive the minimum fee. Fees may vary based on the size of the account, complexity of the portfolio, extent of activity in the account or other reasons agreed upon by us and the client.

Unless otherwise instructed by the Client, we will aggregate related client accounts for the purposes of determining the account size and annualized fee. The common practice is often referred to as "householding" portfolios for fee purposes and may result in lower fees than if fees were calculated on portfolios separately. Our method of householding accounts for fee purposes looks at the overall family dynamic and relationship. When applicable and noted in the Investment Management Agreement, concentrated stock positions may also be excluded from the fee calculation.

The independent qualified custodian holding your funds and securities will debit your account directly for the advisory fee and pay that fee to us. You will provide written authorization permitting the fees to be paid directly from your account held by the qualified custodian. Further, the qualified custodian agrees to deliver an account statement to you on a quarterly basis indicating all the amounts deducted from the account including our advisory fees.

Either party may terminate the agreement by IMA or the Client upon ten days written notice. Notice given by the client shall be effective upon actual receipt by IMA at the address specified on the Investment Advisory Agreement or the then current address.

The management fee will be pro-rated to the date of termination, for the quarter in which the cancellation notice was given and the unearned fee refunded to the client's account as indicated in their Agreement. Upon termination, the client is responsible for monitoring the securities in their account, and we will have no further obligation to act or advise with respect to those assets.

We will not require prepayment of more than \$1200 in fees per client, six (6) or more months in advance of providing any services.

### **Additional Fees and Expenses**

In addition to the advisory fees paid to our Firm, clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges include custodial fees, charges imposed by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Our brokerage practices are described at length in Item 12, below. Neither our Firm nor its supervised persons accept compensation for the sale of securities or other investment products. Further, our firm does not share in any of these additional fees and expenses outlined above.

### **Administrative Services Provided by Orion Advisor Services**

We have contracted Orion Advisor Services ("Orion") to utilize its technology platforms to support data reconciliation, performance reporting, fee calculation and billing, client database maintenance, quarterly performance evaluations, payable reports, and other functions related to the administrative tasks of managing client accounts. Due to this arrangement, Orion will have access to client information, but Orion will not serve as an investment adviser to our clients. IMA and Orion are non-affiliated companies.

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

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We do not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (so-called performance-based fees) nor engage in side-by-side management.

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## ITEM 7 - TYPES OF CLIENTS

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We provide investment advice to individuals, high net worth individuals, foundations, pension and profit-sharing Plans, trusts, charitable organizations, and corporations and other businesses. The minimum initial account value for opening an account with our firm is \$500,000 of investable assets. We reserve the right to make exceptions, at our discretion, on a case by case basis.

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

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### **Methods of Analysis**

In our Active Value and other equity strategies we are looking for undervalued stocks (both US and foreign) – we are value investors. The axiom of value investing is that the value of any asset is the present value of its future cash flows. To be able to estimate future cash flows and assess their risk we need to understand the drivers of the business; therefore, companies we own should be analyzable, but not just analyzable they have to be understandable to us.

There are the three attributes (dimensions) that we seek for companies in our portfolios: Quality, Valuation and Growth.

A Quality company will have long-term-oriented, shareholder-friendly management, a competitive advantage that will protect the company's future cash flows from competitors, a high return on capital, a strong balance sheet, and the business will have a high recurrence of revenue, which will result in stable cash flows.

In the Growth dimension we are not just looking for earnings growth but also seek stocks that pay high dividends. Though stock price movements are responsible for all daily headlines, dividends were responsible for almost half of the returns from stocks over the last 100-plus years. Dividends are also important for another reason: they usually improve a company's quality by lessening the chances of capital misallocation. Canceled or missed dividends are mayhem for a company's management and its stock. Management will cancel its country club membership before it suspends a dividend. A significant dividend creates another fixed cost; therefore, it imposes thriftiness on the company's operation and often keeps management from doing something dumb with the company's cash flows.



It is easy to find companies that meet our Quality and Growth criteria in any market environment, but for these companies to be good stocks they need to meet the third very important criterion – Valuation. A stock needs to trade at a discount to our estimate of its fair value, or in other words it needs to have a margin of safety. It is almost impossible to find a company that flawlessly meets Quality, Valuation, and Growth requirements (though we try). However, with weakness in one dimension we always look for offsetting strength in the others. For instance, if a company has volatile (cyclical) cash flows, we require an extra strong balance sheet – no debt, and a lot of cash. Or, if a company lacks in the Growth dimension, we require a much higher margin of safety.

Margin of safety serves a dual role – it is one of the sources of return of when stock price reverts to fair value, (aforementioned earnings growth and dividends are the other two sources of return). Margin of safety is also there to protect us from our misjudgment of company’s true worth and from exogenous events (things going wrong). Of course, our misjudgment of company’s true worth or the impact of “things going wrong” may exceed the margin of safety. Any investment, even one that is well-thought-out, carries risk of a decline that is a reality of investing in stocks.

Our typical fully invested portfolio will consist of 20 to 30 stocks. A stock position at the time of purchase will typically range between 2% and 6%. We don’t believe we can successfully time the market, and therefore the cash balances in our clients’ accounts are not a byproduct of our views of the market’s short-term direction but a result of our inability to find stocks that sufficiently meets all of our Quality, Valuation and Growth criteria.

### **Investment Strategies**

The methods and strategies outlined above do not entail any unusual risks. Our strategy does not involve frequent trading. We do not trade on margin (borrowing against the value of stocks to purchase more stocks) or short stocks (borrowing stocks to sell to buy back later) because these would increase the risk to the client.

IMA will also use other securities to balance the risk and return of client portfolios such as secured puts or covered calls, and treasury bills to manage cash balances.

### **Risk of Loss**

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities involves risk of loss. Further, depending on the different types of investments there will

be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our Firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines.

Investors should be aware that accounts are subject to the following risks:

*Market Risk* — Even a long-term investment approach cannot guarantee a profit. Economic, political and issuer-specific events will cause the value of securities to rise or fall. Because the value of investment portfolios will fluctuate, there is the risk that you will lose money and your investment may be worth more or less upon liquidation.

*Foreign Securities and Currency Risk* — Investments in international and emerging-market securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability.

*Capitalization Risk* — Small-cap and mid-cap companies may be hindered as a result of limited resources or less diverse products or services, and their stocks have historically been more volatile than the stocks of larger, more established companies.

*Interest Rate Risk* — In a rising rate environment, the value of fixed-income securities generally declines, and the value of equity securities may be adversely affected.

*Credit Risk* — Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and, thus, impact the portfolio's performance.

*Liquidity Risk* - Liquidity risk exists when particular investments would be difficult to purchase or sell, possibly preventing clients from selling such securities at an advantageous time or price.

*Options* - Certain types of option trading are permitted in order to generate income or hedge a security held in the program account; namely, the buying and selling of put options on a security held in the program account. Client should be aware that the use of options involves additional risks. The risk of buying long

puts is limited to the loss of the premium paid for the purchase of the put if the option is not exercised or otherwise sold by the program account.

*Cybersecurity Risk.* In addition to the Material Risks listed above, investing involves various operational and “cybersecurity” risks. These risks include both intentional and unintentional events at IMA or one of its third-party counterparties or service providers, that may result in a loss or corruption of data, result in the unauthorized release or other misuse of confidential information, and generally compromise our Firm’s ability to conduct its business. A cybersecurity breach may also result in a third-party obtaining unauthorized access to our clients’ information, including social security numbers, home addresses, account numbers, account balances, and account holdings. Our Firm has established business continuity plans and risk management systems designed to reduce the risks associated with cybersecurity breaches. However, there are inherent limitations in these plans and systems, including that certain risks may not have been identified, in large part because different or unknown threats may emerge in the future. As such, there is no guarantee that such efforts will succeed, especially because our Firm does not directly control the cybersecurity systems of our third-party service providers. There is also a risk that cybersecurity breaches may not be detected.

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#### **ITEM 9 - DISCIPLINARY INFORMATION**

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We do not have any legal, financial or other “disciplinary” items to report.

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#### **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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We have no other financial industry activities or affiliations. IMA, nor any related person, is a broker-dealer or registered representative of a broker-dealer, and not a futures commission merchant, commodity pool operator, or commodity trading advisor.

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

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We have developed and implemented a Code of Ethics that sets forth standards of conduct expected of our advisory personnel to mitigate this conflict of interest. The Code of Ethics addresses, among other things, personal trading, gifts, and the prohibition against the use of inside information.

The Code of Ethics is designed to:

- protect our clients,
- detect and deter misconduct,

- educate personnel regarding the firm's expectations and laws governing their conduct,
- remind personnel that they are in a position of trust and must act with complete propriety at all times,
- protect the reputation of our Firm,
- guard against violation of the securities laws,
- establish procedures for personnel to follow so that we may determine whether their personnel are complying with the firm's ethical principles.

Our Firm and persons associated with us are allowed to invest for their own accounts or to have a financial investment in the same securities or other investments that we recommend or acquire for your account and may engage in transactions that are the same as transactions made in your account. We recognize the fiduciary responsibility to act in your best interest and have established policies to mitigate conflicts of interest.

We have established the following restrictions in order to ensure our firm's fiduciary responsibilities:

1. A director, officer or employee of IMA shall not buy or sell any securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No supervised employee of IMA shall prefer his or her own interest to that of the advisory client.
2. We maintain a list of all securities holdings of anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer/individual of IMA.
3. We emphasize the unrestricted right of the client to decline to implement any advice rendered, except in situations where we are granted discretionary authority of the client's account.
4. We require that all supervised employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
5. Any supervised employee not in observance of the above may be subject to termination.

You may request a complete copy of our Code of Ethics by contacting us at the telephone number on the cover page of this Part 2; Attn: Chief Compliance Officer.

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## **ITEM 12 - BROKERAGE PRACTICES**

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## **The Custodian and Brokers We Use**

### ***Investment Management Services***

Clients must maintain assets in an account at a “qualified custodian,” generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. Advisor Services (“Schwab”), TD Ameritrade Institutional or Fidelity Institutional Wealth Services (“Fidelity”) program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. (“TD Ameritrade”). Both custodians are independent and unaffiliated SEC-registered broker-dealer, member SIPC, and act as a qualified custodian. Our custodians will hold client assets in a brokerage account and buy and sell securities when we instruct them to.

While we recommend that clients use one of these custodians as custodian/broker, client must decide whether to do so and open accounts by entering into account agreements directly with them. The Client opens the accounts with the custodian. The accounts will always be held in the name of the client and never in IMA’s name. Even though clients maintain accounts at the custodians, we can still use other brokers to execute trades for client accounts (see Client Brokerage and Custody Costs, below).

### ***How We Select Brokers/Custodians***

We seek to recommend a custodian/broker who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

1. Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
2. Capability to execute, clear, and settle trades (buy and sell securities for client accounts)
3. Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
4. Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
5. Availability of investment research and tools that assist us in making investment decisions
6. Quality of services
7. Competitiveness of the price of those services (commission rates, other fees, etc.) and willingness to negotiate the prices

8. Reputation, financial strength, and stability
9. Availability of other products and services that benefit us, as discussed below (see Products and Services Available to Us)

### ***Client Brokerage and Custody Costs***

For our clients' accounts maintained at our custodians, the custodians generally do not charge separately for custody services. However, the custodians receive compensation by charging ticket charges or other fees on trades that it executes or that settle into clients' accounts. In addition to commissions, the custodians charge a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different custodian but where the securities bought or the funds from the securities sold are deposited (settled) into a client's account. These fees are in addition to the ticket charges or other compensation the client pays the executing custodian. Because of this, in order to minimize trading costs, we have our custodians execute most trades for client accounts. We have determined that having the custodians execute most trades is consistent with our duty to seek "best execution" of client trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see How We Select Brokers/Custodians).

### ***Products and Services Available to Us***

Our custodians are in the business of serving independent investment advisory firms like us. They provide IMA and our clients with access to its institutional brokerage, trading, custody, reporting, and related services, many of which are not typically available to retail customers. They also make available various support services. Some of those services help us manage or administer our clients' accounts; others help us manage and grow our business. The support services generally are available on an unsolicited basis (we do not have to request them) and at no charge to us. These are considered soft dollar benefits because there is an incentive to do business with our custodians. This creates a conflict of interest. We recognize the fiduciary responsibility to place your interests first and have established policies in this regard to mitigate any conflicts of interest.

### ***Services That Benefit Our Clients***

The custodian's brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through our custodians include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. The custodian's services described in this paragraph generally benefit our clients and their accounts.

### ***Services That May Not Directly Benefit Our Clients***

Our custodians also make available to us other products and services that benefit us but may not directly benefit our clients or their accounts. These products and services assist us in managing and administering our clients' accounts. They include investment research, both their own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at our custodians. In addition to investment research, the custodians also make available software and other technology that:

1. Provide access to client account data (such as duplicate trade confirmations and account statements)
2. Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
3. Provide pricing and other market data
4. Facilitate payment of our fees from our clients' accounts
5. Assist with back-office functions, recordkeeping, and client reporting

### ***Services That Generally Benefit Only Us***

Our custodians also offer other services intended to help us manage and further develop our business enterprise.

These services include:

1. Educational conferences and events
2. Consulting on technology, compliance, legal, and business needs
3. Publications and conferences on practice management and business succession
4. Access to employee benefits providers, human capital consultants, and insurance providers

The custodians may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. The custodians may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. The custodian may also provide us with other benefits, such as occasional business entertainment of our personnel.

### ***Our Interest in the Custodian's Services***

The availability of these services from our custodians benefit us because we do not have to produce or purchase them. These services are not contingent upon us committing any specific amount of business to the custodian in trading commissions. We believe that our

selection of Schwab, Fidelity and TD Ameritrade as custodians and broker is in the best interests of our clients.

Some of the products, services and other benefits provided by our custodians benefit IMA and may not benefit our client accounts. Our recommendation or requirement that you place assets in Schwab, Fidelity or TD Ameritrade's custody may be based in part on benefits provided to us, or our agreement to maintain certain Assets Under Management at the custodians, and not solely on the nature, cost or quality of custody and execution services provided by the custodians.

We place trades for our clients' accounts subject to its duty to seek best execution and its other fiduciary duties. We may use custodians other than Schwab, Fidelity or TD Ameritrade to execute trades for your accounts, but this practice may result in additional costs to clients so that we are more likely to place trades through your custodian rather than other custodians. The execution quality may be different than other custodians.

#### ***Brokerage for Client Referrals***

IMA does not receive client referrals from any custodian or third party in exchange for using that custodian or third party.

#### **Aggregation and Allocation of Transactions**

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. We may make trades in individual accounts (that are not aggregated with others) so that we may address that client's unique circumstances. 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.

We will aggregate trades for ourselves or our associated persons with your trades, providing that the following conditions are met:

1. Our policy for the aggregation of transactions shall be fully disclosed to our existing clients (if any) and the Custodian(s) through which such transactions will be placed;
2. We will not aggregate transactions unless we believe that aggregation is consistent with our duty to seek the best execution (which includes the duty to



- seek best price) for you and is consistent with the terms of our Investment Advisory Agreement with you for which trades are being aggregated.
3. No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all our transactions in a given security on a given business day, with transaction costs based on each client's participation in the transaction;
  4. We will prepare a written statement ("Allocation Statement") specifying the participating client accounts and how to allocate the order among those clients;
  5. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the allocation statement; if the order is partially filled, the accounts that did not receive the previous trade's positions should be "first in line" to receive the next allocation.
  6. Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment and the reason for difference of allocation is explained in writing and is reviewed by our compliance officer. Our books and records will separately reflect, for each client account, the orders of which aggregated, the securities held by, and bought for that account.
  7. We will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation; and
  8. Individual advice and treatment will be accorded to each advisory client.

### **Trade Errors**

We have implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it is our policy to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and we will absorb any loss resulting from the trade error if the error was caused by the firm. If the error is caused by the custodian or our trading platform provider, the custodian or trading platform provider will be responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain will be donated to charity. We will never benefit or profit from trade errors.

### **Directed Brokerage**

All Clients are serviced on a "directed brokerage basis", where our firm will place trades within the established account[s] at the Custodian designated by the Client. Further, all Client accounts are traded within their respective account[s], unless specifically directed otherwise. We will not engage in any principal transactions (i.e., trade of any security from or to the Advisor's own account) or cross transactions with other Client accounts (i.e., purchase of a security into one Client account from another Client's account[s]). In selecting the Custodian, our Firm will not be obligated to select competitive bids on securities transactions and does not have an obligation to seek the lowest available transaction costs. These costs are determined by the Custodian.

When a client chooses to use a particular non-discount broker the client may incur higher fees or transaction costs than other clients. These other brokers may provide additional services to the clients that the client (not IMA) feels is worth the extra costs. In these cases, IMA may not be able to achieve the best prices or executions when a client directs brokerage.

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## ITEM 13 - REVIEW OF ACCOUNTS

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### **Account Reviews and Reviewers – Investment Supervisory Services**

Our President and/or Chief Investment Officer will monitor client accounts on at least a quarterly basis and perform reviews with each client annually or as often as is agreed upon by the client and our firm. All accounts are reviewed for consistency with client investment strategy, asset allocation, risk tolerance and performance relative to the appropriate benchmark. More frequent reviews may be triggered by changes in an account holder's personal, tax or financial status. Geopolitical and macroeconomic specific events may also trigger reviews. Clients may request a review at any time.

### **Statements and Reports**

The custodian for the individual client's account will provide clients with an account statement at least quarterly. Upon request, clients can receive an IMA-prepared written report detailing their current positions, asset allocation, and year-to-date performance. You are urged to compare the reports and invoices provided by our firm against the account statements you receive directly from your account custodian.

In our communication with clients we want our clients to become our partners, and we are seeking to provide as much clarity as possible about our decision-making process. Clients are encouraged to call us and talk to decision makers directly if they have any questions about their accounts. They may also request to receive their reports on a more frequent basis.

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## ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

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We pay referral fees to independent solicitors for the referrals of their clients to our Firm in accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940. Such referral fees represent a share of our investment advisory fee charged to our clients. This arrangement will not result in higher costs to you. In this regard, we maintain Solicitors Agreements in compliance with Rule 206 (4)-3 of the Investment Advisers Act of 1940 and applicable state and federal laws. All clients referred by Solicitors to our Firm will be given full written disclosure describing the terms and fee arrangements between our Firm and Solicitor(s). In cases where state law requires licensure of solicitors, we ensure that no solicitation fees are paid unless the solicitor is registered as an investment adviser representative of our Firm. The solicitor will not provide clients any investment advice on behalf of IMA.

As referenced in Item 12 above, we may receive an indirect economic benefit from our qualified custodian without cost (and/or at a discount) and may receive support services and/or products from our custodians.

### **Outside Compensation**

We may enter into written referral agreements with third parties by which the third party may, from time to time, refer clients that establish accounts and enter into advisory relationships with us. In such circumstances, we agree to pay the third party a referral fee equal to a percentage of fees received by us from the referred client. The fee to be paid by IMA will be borne entirely by us and there will be no additional fee, cost or expense to the referred client resulting from the referral agreement. IMA makes disclosure of such referral arrangement, if any, to the client before entering into an advisory agreement. All referral agreements are governed by Rule 206(4)-3 under the Investment Advisers Act of 1940.

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## ITEM 15 - CUSTODY

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Custody has been defined by regulators as having access or control over client funds and/or securities. Our firm does not have *physical custody* of funds or securities, as it applies to investment advisors.

### **Deduction of Advisory Fees**

Our firm has custody of the funds and securities solely as a consequence of its authority to make withdrawals from client accounts to pay its advisory fee. For all accounts, our firm has the authority to have fees deducted directly from client accounts. Our firm has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. You should carefully review those statements and are urged to compare the statements against reports received from our Firm. When you have questions about your account statements, you should contact our Firm or the qualified custodian preparing the statement. Please refer to Item 5 for more information about the deduction of adviser fees.

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#### **ITEM 16 - INVESTMENT DISCRETION**

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For discretionary accounts, prior to engaging our Firm to provide investment advisory services, you will enter a written Agreement with us granting the firm the authority to supervise and direct, on an on-going basis, investments in accordance with the client's investment objective and guidelines. In addition, you will need to execute additional documents required by the Custodian to authorize and enable IMA, in its sole discretion, without prior consultation with or ratification by you, to purchase, sell or exchange securities in and for your accounts. We are authorized, in our discretion and without prior consultation with you to: (1) buy, sell, exchange and trade any stocks, bonds or other securities or assets and (2) determine the amount of securities to be bought or sold and (3) place orders with the custodian. Any limitations to such discretionary authority will be communicated to our Firm in writing by you, the client.

The limitations on investment discretion held by IMA for you are:

1. For discretionary accounts, we require that we be provided with authority to determine which securities and the amounts of securities to be bought or sold.
2. Any limitations on this discretionary authority shall be in writing. You may change/amend these limitations as required.

In some instances, we may not have discretion. We will discuss all transactions with you prior to execution or you will be required to make the trades if in an employer sponsored account.

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**ITEM 17 - VOTING YOUR SECURITIES**

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Our firm does not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, our firm will forward them to the appropriate client and ask the party who sent them to mail them directly to the client in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitation.

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**ITEM 18 - FINANCIAL INFORMATION**

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We do not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.



**INDIVIDUAL PORTFOLIO  
MANAGEMENT SINCE 1979**

**INVESTMENT MANAGEMENT ASSOCIATES, INC.**

5690 DTC Blvd. Suite 140W  
Greenwood Village, CO 80111  
303-796-8333  
Fax 303-796-2277  
<http://imausa.com>

Vitaliy N. Katsenelson

2B Supplemental Brochure

April 12, 2019

The Brochure Supplement provides information about Vitaliy Katsenelson (CRD# 4392655) that supplements the Investment Management Associates Brochure. You should have received a copy of the Brochure. Please contact the Chief Compliance Officer at 303-796-8333 if you did not receive Investment Management Associates Brochure or if you have any questions about the contents of this supplement.

Additional information about Vitaliy Katsenelson is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as the CRD number listed above.

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## ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

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Vitaliy N. Katsenelson

Born: 1973

Post-Secondary Education:

- University of Colorado, Master's of Science, Finance, 1999
- University of Colorado, Bachelor of Science Degree, 1997

Designations: Chartered Financial Analyst (CFA<sup>®1</sup>), 2000

Recent Business Experience:

- *Investment Management Associates*, CEO & Investment Adviser Representative, 1997 to Present

**<sup>1</sup>Minimum Qualifications for Chartered Financial Analyst (CFA<sup>®</sup>), licensed by the CFA<sup>®</sup> Institute:**

- Hold a bachelor's degree from an accredited institution or have equivalent education or work experience
- Successful completion of all three exam levels of the CFA<sup>®</sup> Program
- Have 48 months of acceptable professional work experience in the investment decision-making process
- Fulfill society requirements, which vary by society. Unless you are upgrading from affiliate membership, all societies require two sponsor statements as part of each application; these are submitted online by your sponsors
- Agree to adhere to and sign the Member's Agreement, a Professional Conduct Statement, and any additional documentation requested by CFA<sup>®</sup> Institute

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## ITEM 3 - DISCIPLINARY INFORMATION

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Vitaliy Katsenelson has no history of any legal or disciplinary events that deems to be material to a client's consideration of Vitaliy Katsenelson to act as their investment adviser representative. FINRA's BrokerCheck<sup>®</sup> may have additional information regarding the disciplinary history of Vitaliy Katsenelson that is not included in this brochure supplement. (<https://www.adviserinfo.sec.gov/>).

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## ITEM 4 - OTHER BUSINESS ACTIVITIES

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In addition to serving as your investment advisor representative, Vitaliy Katsenelson completes research on companies to determine if they would be good additions to the Investment Management Associates portfolios. He writes various articles with his findings and receives no compensation. Mr. Katsenelson spends less than 5% of his time each month on this activity.

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#### ITEM 5 - ADDITIONAL COMPENSATION

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Vitaliy Katsenelson does not receive any economic benefit for providing advisory services beyond the scope of Investment Management Associates and business activities listed in Item 4.

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#### ITEM 6 - SUPERVISION

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Investment Management Associates and its investment adviser representatives provide investment advisory services in accordance with Investment Management Associates Written Supervisory Procedures. Our Written Supervisory Procedures include provisions for systematic reviews of the investment recommendations made by our representatives and of the securities that are held in our clients' accounts. Mr. Katsenelson is the Chief Compliance Officer of Investment Management Associates. He oversees all activities which are in accordance with the Firm's compliance procedures. Specific areas of review include transactions, account suitability and written correspondence including email, among other activities. Clients may contact Mr. Katsenelson at 303-796-8333 with any questions regarding our supervision or compliance practices.

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#### ITEM 7 - REQUIREMENTS FOR STATE-REGISTERED ADVISERS

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Vitaliy Katsenelson has not been involved in or found liable in an arbitration claim or civil, self-regulatory organization or administrative proceeding alleging damages in excess of \$2,500, involving an investment or an investment-related business or activity; fraud, false statement(s), or omissions; theft, embezzlement, or other wrongful taking of property; bribery, forgery, counterfeiting, or extortion; or dishonest, unfair, or unethical practices. Vitaliy Katsenelson has not been the subject of a bankruptcy petition. To the best of our ability all material conflicts of interest are disclosed regarding the Firm, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.