



**Part 2A of Form ADV  
Firm Brochure**

**STUDIO Investment Management, LLC**

1901 N. Clybourn Ave., Suite 404  
Chicago, IL 60614  
312.399.0828

CRD #: 158489

May 20, 2021

This brochure provides information about the qualifications and business practices of STUDIO Investment Management, LLC. If you have any questions about the contents of this brochure, please contact STUDIO at 312.399.0828 or [mwolcott@studioinvestment.com](mailto:mwolcott@studioinvestment.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or any state regulatory authority.

STUDIO Investment Management, LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about STUDIO Investment Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

STUDIO Investment Management, LLC has updated its Form ADV Part 2A. This update contains the following material changes:

- On September 30, 2020, STUDIO Investment Management, LLC (“STUDIO”) acquired the assets of Gantzert Investment Company, LLC. The former partners and employees of Gantzert Investment Company, LLC became employees of STUDIO on September 30, 2020. In connection with this transaction, the ownership structure of STUDIO changed as well, and related information has been updated in Item 4 of this brochure. STUDIO has prepared a separate brochure and brochure supplement specifically for clients who previously had a relationship with Gantzert Investment Company, LLC. Going forward, STUDIO will maintain the Gantzert brand and additionally do business as Gantzert Investment Company (“Gantzert”).
- Our firm transitioned from state to SEC registration in Q2 2021. This brochure has been updated accordingly.

If you have any questions about the contents of this brochure, please contact STUDIO at 312.399.0828 or [mwolcott@studioinvestment.com](mailto:mwolcott@studioinvestment.com).

## Item 3 – Table of Contents

Item 1 – Cover Page	1
Item 2 – Material Changes .....	2
Item 3 – Table of Contents .....	3
Item 4 – Advisory Business .....	4
Item 5 – Fees and Compensation .....	6
Item 6 – Performance-Based Fees and Side-by-Side Management .....	8
Item 7 – Types of Clients .....	8
Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss .....	8
Item 9 – Disciplinary Information .....	11
Item 10 – Other Financial Industry Activities and Affiliations .....	11
Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading .....	12
Item 12 – Brokerage Practices .....	13
Item 13 – Review of Accounts .....	16
Item 14 – Client Referrals and Other Compensation .....	16
Item 15 – Custody .....	16
Item 16 – Investment Discretion .....	17
Item 17 – Voting Client Securities .....	17
Item 18 – Financial Information .....	17

## Item 4 – Advisory Business

### Firm Description

STUDIO Investment Management, LLC ("STUDIO" or the "Firm") is an investment adviser, registered with the U.S. Securities and Exchange Commission, and provides discretionary investment advisory services, financial planning, and investment consulting to its clients. The majority owners of the Firm are Mike Wolcott and Neha Prabhu through STUDIO Associates, LLC. STUDIO also has a passive, minority owner through STUDIO Holdings, LLC.

STUDIO was founded on four key beliefs:

- 1) A small, well-aligned client base allows for a boutique experience with a personal touch;
- 2) An investment philosophy should be built on research intensity and price sensitivity;
- 3) An investment philosophy should be executed with a calm temperament and a long-term mindset; and
- 4) A sensitivity to all client costs – including STUDIO fees, custodial fees, fund expenses, trading commissions, market-impact costs, taxes, and inflation – is essential.

### Services Offered

1) STUDIO's discretionary investment advisory services are represented by relationships in which STUDIO has the ability to manage and/or direct the investment decisions for designated accounts, according to the client's written guidelines and restrictions. As a result, this discretionary authority includes both asset allocation (i.e., the mix of stocks, bonds, cash, and other) and security selection (i.e., the choice of particular stocks, bonds, cash, and other). The large majority of discretionary client assets will be invested in stocks, bonds, exchange-traded funds, exchange-traded notes, options, mutual funds, money-market instruments, and cash. Client assets also will be held by an independent custodian, which should employ controls to protect client assets from misappropriation.

2) Clients of STUDIO's discretionary investment advisory services may request that STUDIO conduct retirement-plan analyses, education-funding analyses, or reviews of Outside Assets ("Outside Assets"; i.e., assets over which STUDIO does not have discretion, such as 401k accounts or Executive Savings Plans). Clients may request analyses and reviews of Outside Assets up to twice per year, and such analyses may be delivered either verbally or in writing.

STUDIO may also occasionally discuss topics with its discretionary investment advisory clients pertaining to taxes, insurance, or estate matters, but in such topics STUDIO insists that clients seek primary advice from accountants/tax professionals, insurance professionals, estate attorneys, or other relevant experts. STUDIO also insists that any such exchanges with clients should not be deemed sufficient and should not be deemed accounting, insurance, or legal advice, whether discussed in isolation or in relation to other Investment Advisory Services.

**3)** STUDIO may offer one-time or ongoing financial planning or investment consulting engagements. Planning components may include net-worth-statement generation, education-funding analysis, retirement-funding analysis, life-insurance analysis, business valuation, and/or estate-planning analysis. Consulting components may include asset-allocation review and/or investment-security review. Neither STUDIO, nor any affiliate nor any associated person will receive commissions from the sale of insurance or real estate nor will it receive fees or other compensation from the sale of securities or other products or services recommended in any financial plan. The client is under no obligation to act on the recommendations of STUDIO, its affiliates, or its associated persons.

All material conflicts of interest under CCR Section 260.238 (k) are disclosed herein regarding our firm, our representatives or our employees, which could be reasonably expected to impair the rendering of unbiased and objective advice

### **Tailoring Your Account to Your Objectives**

Client accounts will be managed on the basis of the client's guidelines and restrictions, provided clients provide such guidelines and restrictions in writing to STUDIO (e.g., in Schedule B of the client's investment advisory agreement with STUDIO).

There are cases in which a client holds a particular security that the client does not want managed or monitored by STUDIO. In some of these situations, STUDIO may recommend holding the security in an account over which STUDIO has no discretion or investment authority.

In the absence of explicit written guidelines and restrictions, STUDIO encourages clients to develop conservative expectations and to consider their overall financial situations, future financial objectives, risk tolerances, time horizons, and investment objectives and constraints. If requested by clients, STUDIO will develop a supplementary investment policy statement for clients reflecting these guidelines and restrictions.

### **Wrap Fee Programs**

STUDIO does not participate in wrap fee programs. (Wrap fee programs offer services for a single, all-inclusive fee.)

### **Assets Under Management**

As of March 31, 2021, STUDIO had assets under management of \$437,885,202.

## Item 5 – Fees and Compensation

### Investment Advisory Services – Fees

STUDIO's investment advisory service fee schedule is calculated based upon the client's assets under management as follows:

<u>Account Value Tier</u>	<u>Annual Fee Rate</u>
\$0 to \$1,000,000	1.25%
\$1,000,001 to \$3,000,000	1.00%
\$3,000,001 to \$10,000,000	0.75%
\$10,000,001+	0.50%

Account Values are based on the average daily balance during the month. Average daily balances are based on the values of all securities and cash. Monthly fee rates are Annual Fee Rate divided by 12.

While STUDIO's fees are not negotiable, STUDIO may decide in its own discretion to charge any client a fee for investment advisory services that is different from the fees set forth in the fee schedule above.

STUDIO typically requires a minimum asset level of \$1,000,000 for its investment advisory services' relationships. STUDIO, in its sole discretion, may waive the required minimum asset level. See also "Item 7: Types of Clients" below.

Lower fees for comparable services may be available from other sources.

### Investment Advisory Services – Fee Administration

Clients pay fees to STUDIO on a monthly or quarterly basis in arrears.

Fees may be paid by automatic deduction from client accounts which requires written pre-authorization by the client to the custodian. STUDIO will provide the client a statement displaying the advisory fees regardless of the method of payment.

If STUDIO deducts fees directly from the client's account, the custodian will indicate the amount of the fees, at least quarterly, in a client statement. However, the client's custodian will not verify the accuracy of STUDIO's fee calculation.

### Investment Advisory Services – Custody Fees

The client may be required to pay, in addition to STUDIO's fees, underlying fees and charges assessed by the custodian, including custodial fees, brokerage fees, and other transaction costs. Any custodian fee is negotiated directly between the client and the custodian. The custodian may also receive an administrative fee from certain money-market mutual funds; if this is the case, it should be disclosed in the custodian's agreement with the client. The client bears responsibility for verifying the accuracy of these custodian fees and charges. Please refer to "Item 12: Brokerage Practices" below.

### **Investment Advisory Services – Individual-Security Fees, Expense Fees/Ratios, IRA Rollovers**

The fees charged by STUDIO do not include fees or expenses charged by any security or fund selected for the client. For example, exchange-traded funds and mutual funds generally charge a fee for their services as a manager. This management fee is part of the total compensation received by the fund company and is included in its expense ratio. STUDIO is not paid any sales, service, or administrative fees for the sale of any securities or other products. These individual-security fees or expense ratios should be disclosed in each security's disclosure document or in each fund's prospectus. These should be available from the custodian and/or the SEC's website (sec.gov).

STUDIO may recommend the client transfer assets from an employer-sponsored retirement plan to an IRA account (i.e., an IRA Rollover). Such a recommendation may represent a conflict of interest, since STUDIO earns investment advisory fees from IRA accounts that it manages. STUDIO's IRA rollover recommendations consider various factors related to the client's financial circumstances and investment guidelines and restrictions. Among other factors, STUDIO considers the following factors, to the extent possible, for both the employer's plan and an IRA account to be managed by STUDIO: 1) the range of investment options available; 2) the various fees the client will pay (when the client provides the fee information to STUDIO after STUDIO requests it), including STUDIO's investment advisory fees; 3) the levels of service available; 4) the client's expertise in self-directing investments; 5) and the tax consequences, including potential penalties that may be assessed if the client withdraws funds before permissible ages as set by the IRS, and the tax consequences of rolling over employer stock held in a plan. STUDIO also recommends that the client consider consulting a tax advisor on transfers from employer-sponsored retirement plans to an IRA account.

### **Investment Advisory Services – Client Use of Margin Borrowing**

A custodian may authorize a client's account for the use of margin borrowing (or margin). However, STUDIO does not recommend the use of margin. The client maintains sole discretion as to whether margin is used in the account.

If margin is used by the client, the market value of the account and the corresponding advisory fee payable by the client to STUDIO will be greater than without the use of margin. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin (see Item 8 for more), clients authorizing the account for margin are advised of a potential conflict of interest, since the client's decision to employ margin will correspondingly increase the advisory fee payable to STUDIO. In other words, STUDIO may have an economic disincentive to recommend that the client terminate the use of margin.

### **Investment Advisory Services – Compensation for the Purchase or Sale of Securities**

STUDIO is compensated solely through advisory, planning, and consulting fees paid by clients. STUDIO is not paid any sales, service, or administrative fees for the sale of any securities or other products.

**Investment Consulting and Financial Planning – Fees**

Generally, STUDIO offers its investment-consulting or financial-planning services for a fixed fee, but in certain circumstances may offer such services for an hourly fee.

Generally, an initial investment-consulting or financial-planning engagement requires at least one in-person meeting, research and analysis, and the preparation and presentation of recommendations.

The time needed to complete a particular requested service will vary depending on client's specific financial circumstances. Prior to commencing the engagement, STUDIO will provide an estimated date of Agreement completion and a fixed fee, or an estimated number of hours and corresponding hourly rate, to complete all of the components the client has directed.

**Prepayment of Fees**

No fees are paid in advance to STUDIO.

**Item 6 – Performance-Based Fees and Side-by-Side Management**

STUDIO does not charge performance-based fees.

**Item 7 – Types of Clients**

STUDIO offers its investment advisory services to various types of clients, including individuals, high-net-worth individuals, trusts, partnerships, retirement plans, and other legal entities.

STUDIO typically requires a minimum asset level of \$1,000,000 to establish an investment advisory services relationship. STUDIO, in its sole discretion, may waive the required minimum asset level. After establishing a relationship with STUDIO, clients are not required to maintain a particular balance in their accounts.

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

STUDIO uses fundamental analysis in its investment strategies. STUDIO may utilize passive or indexed strategies as well. Generally, the Firm's investment philosophy focuses on price sensitivity (i.e., value-minded investing) with a long-term mindset.

Fundamental analysis considers the competitive position of the underlying entity, the financial health of the entity, the quality of its management or leadership, and the existing price level of the security relative to prospects for future cash flows.

Client portfolios are managed utilizing a mixture of several security types. The majority of the assets will be represented by individual stocks, individual bonds, exchange-traded funds, exchange-traded notes, options, mutual funds, money-market instruments, and cash.



A variety of research sources are used, including but not limited to the following: financial newspapers and magazines, business publications, third-party research materials, SEC filings, other regulatory filings, annual reports, other company reports, and industry conferences.

Additionally, STUDIO, through its third-party financial-planning software, may use Monte Carlo simulation or other simulation in preparation of client retirement analyses or other analyses. Generally, simulation is a mathematical process that attempts to assess the probabilities of future financial-market paths and client outcomes, by using historical market results, forecasted market results, or other reasoned methods to create hundreds (or more) of forward-looking simulations. Simulations are used to help STUDIO and its clients assess client preparedness for retirement needs and other needs.

### **Risk of Loss**

There will be many periods in which the stock, bond, and other markets will generate losses (or negative returns). Clients should only invest money to the extent that they are able to bear the risk of such losses.

STUDIO uses fundamental analysis in its investment strategies. STUDIO may utilize passive or indexed strategies as well. Risks to fundamental analysis include volatility risk, market risk, competitive risk, technological risk, liquidity risk, and valuation risk. Risks to passive strategies include volatility risk, market risk, liquidity risk, valuation risk, and tracking error, which is the failure of the fund to perfectly track the underlying index.

STUDIO's investment decisions always give consideration to both the prospects for return on investment and the risk of loss on investment. In considering the risk of loss, STUDIO generally contemplates both the probability of loss and the potential magnitude of such loss. Some of the risks of loss include volatility risk, market risk, competitive risk, technological risk, liquidity risk, inflation risk, exchange-rate risk, interest-rate risk, reinvestment risk, political risk, tax-law risk, regulatory risk, monetary-policy risk, fiscal-policy risk, and valuation risk. These and other risks should be considered as the client establishes the appropriate written guidelines and restrictions to include in Schedule A of STUDIO's Investment Advisory Agreement with the client.

A margin-borrowing (or margin) strategy (also discussed in Item 5), in which a client uses borrowed assets to purchase (or maintain investment in) financial securities, involves a high level of risk. The client generally obtains the borrowed assets by using other securities as collateral. In using margin, account gains or losses will be magnified. And while the use of margin can improve investment results, it also increases the riskiness of the client's account. The use of margin increases the magnitude of losses. And under certain circumstances, the custodian may demand an increase in the collateral that secures the client's obligations; if the client were unable to provide additional collateral, the custodian could, without approval by the client or STUDIO, liquidate assets held in the account to satisfy the client's obligations. Liquidation in such manner could have extremely adverse effect on the account. In addition, the amount of the client's margin borrowing and the interest rates on those borrowings, which will likely fluctuate, will have a significant effect on the account's results.

STUDIO does not recommend the use of margin. The client maintains sole discretion as to whether margin is used in the account.

**Risks of Investments Used**

Clients should be aware that there is a material risk of loss when investing. The investments listed below, as well as any other investments STUDIO may use, are not guaranteed or insured by the FDIC or any other government entity.

Equity securities generally refer to shares of publicly traded companies (i.e., stocks) that may produce dividends and/or capital gains or losses. Equity securities can lose substantial value. The value of equity securities may fluctuate in response to company-specific conditions, country-specific conditions, industry-specific conditions, or general stock-market and economic environments.

Fixed-income securities generally refer to debt instruments (i.e., bonds) that pay interest on a fixed schedule, though the amount of the payments and the time horizon of such payments can vary. Even the least risky fixed-income securities can lose value, and some can lose substantial value. Fixed-income securities include corporate and government debt securities, leveraged loans, high-yield debt securities, investment-grade debt, and structured products, such as mortgage and other asset-backed securities. Fixed-income securities carry significant interest-rate risk and can experience significant volatility. (As interest rates rise, bond prices usually fall, and vice versa.) Fixed-income securities also carry inflation risk, liquidity risk, call risk, currency risk (in the case of non-U.S. securities), and credit and default risks for both issuers and counterparties.

Mutual funds and closed-end funds generally refer to investments that allow money to be pooled with the funds of other investors in order to purchase stocks, bonds, and/or other securities. Mutual funds and closed-end funds can lose substantial value. Nearly all mutual funds and closed-end funds have expenses that reduce net-of-fee investment returns. Mutual funds carry the risk of rapid redemptions and forced selling. Closed-end funds carry liquidity risk.

Exchange-Traded Funds (ETFs) are traded on exchanges (like stocks). ETFs can lose substantial value. An ETF holds assets such as stocks, bonds, or commodities and is designed to keep its share price close to its net asset value, although deviations can occur. Areas of concern include lack of transparency, conflicts of interest, potentially inadequate regulatory compliance, and complexity.

Exchange Traded Notes (ETNs) are unsecured, unsubordinated debt securities issued by a bank. ETNs can lose substantial value. Similar to other debt securities, ETNs have a maturity date and are backed only by the credit of the issuer. ETNs are designed to provide investors access to the returns of various market benchmarks. The value of an ETN may decrease even if the underlying index is unchanged, due to changes in the outlook for the issuer's credit.

Index funds aim to replicate the movements of a specific index of securities. Index funds can lose substantial value. Index funds can be in the form of mutual funds, closed-end funds, ETFs, or ETNs. Imperfect correlation between the securities in the index fund and those in the underlying index can result in tracking error – the failure of the fund to perfectly track the underlying index. This risk may be heightened during times of increased market volatility or other unusual market conditions. Tracking error also occurs because a portfolio incurs fees and expenses while an underlying index does not.

Derivatives are contracts that derive their value from an underlying entity. Derivatives can lose substantial value, and it is not uncommon for them to lose all of their value, and even more than all of their value in some strategies. The risk of derivatives is sometimes increased by the use of leverage (i.e., borrowing). Additionally, derivatives can generate large gains and large losses from even small movements in the underlying asset's price. Options are a type of derivative that allows a buyer the right to purchase or sell an underlying security at a given price on or before a given date. Option buying and selling can result in substantial losses.

**Risk of Reliance on Simulations**

Simulations (discussed above) may not be representative of future financial-market results. The aggregated data presented by STUDIO to clients regarding the probabilities of success for financial-planning analyses, retirement analyses, or other analyses should not be relied upon as absolute or accurate probabilities, but instead should be viewed only as projections. Future financial-market results can be very different from the summary data points or even the outlier data points that are presented to clients in retirement analyses or other analyses. Historical market results, forecasted market results, or other reasoned projections of future financial-market results may not accurately or even reasonably resemble the market's future path or client outcome. Additionally, retirement plans and other plans require many other estimates that may differ from future results. As a result, since such future projections and estimates are uncertain, client retirement goals or other goals may not be fulfilled by following STUDIO's advice in the retirement analyses or other analyses.

**Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a client, should be prepared to accept.**

**Item 9 – Disciplinary Information**

STUDIO is required to disclose all material facts regarding legal or disciplinary events that would be material to a client's evaluation of the Firm. Neither STUDIO nor management persons have been involved in any legal or disciplinary events related to past or present items.

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

Neither STUDIO nor any of its 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, or a commodity trading advisor. STUDIO nor its management persons have affiliations with other businesses or entities and receive no compensation from any other entity.

STUDIO does not select other investment advisers for its clients.

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

### **Code of Ethics**

STUDIO has adopted a Code of Ethics (the “COE”) describing our standards of business conduct and our fiduciary duty to clients. The COE provides provisions relating to the prohibition on insider trading, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. The COE also references STUDIO’s Privacy Policy, which provides provisions for the confidentiality of client information. All access persons of STUDIO must acknowledge the terms of the COE initially (within ten days of receipt of the Code upon commencing employment with STUDIO), annually, and as amended. Clients and prospective clients may request a copy of STUDIO’s COE at any time by contacting Mike Wolcott at 312.399.0828 or mwolcott@studioinvestment.com.

### **Participation/Interest in Client Transactions**

STUDIO has policies and procedures in place to ensure that the interests of its clients are given preference over those of the Firm, its affiliates, and its access persons. All access persons are subject to STUDIO’s policies and procedures, which include various reporting and disclosure requirements. Both the Firm’s Code of Ethics and its policies and procedures are designed to best assure that the personal securities transactions, activities, and interests of the Firm’s employees do not interfere with decision-making that is in the best interest of clients. All employees of STUDIO must acknowledge through the Code of Ethics the terms of the Firm’s policies and procedures annually or as amended.

### **Personal Trading**

STUDIO, its owners and employees, and their families, trusts, estates, charitable organizations, and retirement plans established by the Firm or its owners or employees (“Internal Accounts”) may purchase the same securities as client accounts. This has the potential to create a conflict of interest because it affords Gantzert or its related persons the opportunity to profit from the investment recommendations made to clients. Gantzert’s policies and procedures and COE address this conflict of interest by prohibiting such trading by Gantzert or its related persons if it would be to the detriment of any client and by monitoring for compliance through the reporting and review of personal securities transactions. In all instances Gantzert will act in the best interests of its clients.

Internal Accounts are eligible for securities transactions that differ from those recommended or effected for the Firm’s clients. In most such cases, the particular securities or strategies will have been deemed inappropriate for some or all client accounts.

STUDIO does not recommend to clients or buy or sell for clients’ accounts any securities in which it or a related person has a material financial interest.

Mike Wolcott, STUDIO’s Managing Principal and CCO, is responsible for reviewing and, if necessary, approving personal securities transactions according to the Firm’s Code of Ethics.

## Item 12 – Brokerage Practices

### Custodian and Brokerage

Client assets must be maintained at a “qualified custodian”. STUDIO recommends that clients use Charles Schwab & Co., Inc. (“Schwab”), a registered broker-dealer and member of Securities Investor Protection Corporation (SIPC), as the qualified custodian to hold client assets and execute trades upon receipt of instructions from the Firm. STUDIO does not have the power of attorney to select a custodian on the client’s behalf and therefore does not have discretion to select the custodian for the client. As a result, clients should make their own reviews of Schwab’s services and make inquiries with Schwab as appropriate. In effect, a client must choose to custody assets at Schwab in order to work with STUDIO.

While the client’s account is maintained at Schwab, STUDIO, if granted discretion by the client, reserves the right to use other brokers to execute trades for client accounts as described below (see “Brokerage and Custody Costs”).

### Recommendation and/or Selection of Custodians/Brokers

STUDIO may consider a wide range of factors in recommending/selecting custodians/brokers for client accounts, which include the following:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for accounts)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- Availability of investment research and tools that may assist STUDIO in making investment decisions
- Quality of services, including customer service
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate prices
- Reputation, financial strength, and stability
- Availability of other products and services that benefit STUDIO, as discussed below (see “Products and Services Available From Schwab”)

### Brokerage and Custody Costs

In client accounts that Schwab maintains, Schwab generally does not charge separately for custody services, but it is typically compensated by charging the client commissions or other fees on executed or settled trades. Schwab also manages its own funds; investments in these funds involve fund expenses. Schwab’s commission rates and/or asset-based fees applicable to client accounts are negotiated based on the condition that clients of STUDIO collectively maintain a total of at least \$10 million in assets in accounts at Schwab. This commitment benefits each client because the overall commission rates and/or asset-based fees each client pays are lower than they would be otherwise. In addition to commissions and/or asset-based fees, Schwab charges the client a flat dollar fee for acting as a “prime broker” when STUDIO executes client trades with another broker-dealer (i.e., a “trade away”). In such cases, the securities purchased or proceeds

from securities sold are deposited (settled) into the client's Schwab account. These fees are in addition to the commissions or other fees the client pays the executing broker-dealer.

### **Products and Services Available from Schwab**

Schwab Advisor Services™ (formerly called Schwab Institutional®; "SAS") is Schwab's business that serves independent investment advisory firms like STUDIO. SAS provides STUDIO and its clients with access to its institutional brokerage services — trading, custody, reporting, and related — many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help STUDIO manage or administer client accounts, while others help STUDIO manage and grow its business. Schwab's support services generally are available on an unsolicited basis (i.e., STUDIO does not have to request them) and at no charge to STUDIO as long as the Firm's clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. Following is a more detailed description of Schwab's support services:

*Services That Benefit Clients.* Schwab's institutional 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 Schwab include some to which STUDIO might not otherwise have access or that would require a significantly higher minimum initial investment by the Firm's clients. Schwab's services described in this paragraph generally benefit the client and the client's accounts.

*Services That May Not Directly Benefit Clients.* Schwab also makes available to STUDIO other products and services that benefit the Firm but may not directly benefit the client or the client's accounts. These products and services assist STUDIO in managing and administering its client accounts. The products and services include investment research, both Schwab's own and that of third parties, though none of this research is dependent upon client securities transactions or associated fees or commissions. STUDIO may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of the Firm's fees from clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting
- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

### **Interest in Schwab's Services**

The availability of these services from Schwab benefits STUDIO because the Firm does not have to produce or purchase them so long as Firm clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon the Firm committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give STUDIO an incentive to recommend that clients

maintain their accounts with Schwab, based on the Firm's interest in receiving Schwab's services that benefit STUDIO's business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a potential conflict of interest. The Firm's recommendation is primarily supported by the scope, quality, and price of Schwab's services (see "Selection of Brokers/Custodians") and not Schwab's services that benefit only STUDIO.

### **Best Execution**

STUDIO will seek to obtain the most favorable execution – Best Execution ("Best Execution") – under the prevailing circumstances when placing client orders. The Firm recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. These factors may include but are not limited to the following:

- Financial strength, reputation, and stability of the broker
- Efficiency with which transactions are effected
- Ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- Availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- Efficiency of error resolution, clearance, and settlement
- Block trading and positioning capabilities
- Ability to borrow securities for short sale
- Performance measurement
- Online access to electronic data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- Economic benefit to the client
- Related matters involved in the receipt of brokerage services

### **Soft-Dollar Arrangements**

STUDIO does not have any arrangement or commitment to utilize research, research-related products, or other services obtained from broker-dealers, or third parties, on a soft-dollar-commission basis.

### **Brokerage for Client Referrals**

STUDIO does not direct brokerage commissions in exchange for the referral of advisory clients.

### **Directed Brokerage**

STUDIO does not accept clients' instructions for directing their brokerage transactions to a particular broker-dealer.

### **Order Aggregation**

Orders for the same security entered on behalf of more than one client may be aggregated (i.e., blocked or bunched or batched or combined) in order to achieve a better price or achieve other efficiencies. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. All clients participating in each aggregated

order will receive the average price and a pro rata allocation of transacted shares. Trades conducted through the custodian will be subject to the commission rate negotiated directly between the custodian and the client. In cases in which STUDIO is responsible for allocating commissions to client accounts, such client accounts will pay a pro rata portion of any aggregated commissions, subject to minimum ticket charges.

## **Item 13 – Review of Accounts**

### **Periodic Reviews**

STUDIO's investment advisors regularly monitor client Accounts, and specific guidelines and restrictions are reviewed periodically. Mike Wolcott is responsible for the client accounts and determines the asset allocation and underlying securities for the client portfolios. A review of client accounts is performed at least quarterly. More frequent reviews may occur when financial-market conditions dictate, or when STUDIO has new information or perspective on a particular security, asset class, or other portfolio item.

### **Non-Periodic Reviews**

STUDIO may perform non-periodic reviews on an as-needed basis if there have been material changes in the client's guidelines or restrictions, or a material change relating to client deposits, withdrawals, or other financial-circumstance changes.

### **Reports**

STUDIO provides clients with written quarterly reports for investment advisory accounts that contain information regarding account holdings, market value, and performance.

The client's independent custodian also provides regular written account statements directly to the client. The custodian's statement is the official record of the client's account and supersedes any statements or reports created on behalf of the client by STUDIO.

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

STUDIO does not pay for client referrals and does not receive any compensation other than advisory fees charged to its clients. STUDIO does not accept referral fees or any form of compensation from other professionals when the Firm refers a prospect or client to another professional.

Please see Item 12 for a discussion on benefits received from Schwab Advisor Services™

## **Item 15 – Custody**

Client securities and other funds are held with a qualified custodian.

STUDIO has the authority to deduct fees directly from some client accounts. STUDIO will provide clients a quarterly statement containing account balances and holdings, and the custodian will



provide clients with its own statement at least quarterly; STUDIO recommends that clients compare the two statements for consistency and notify the Firm if any statement is not received promptly or if any inconsistencies exist. Statements may be provided in electronic form.

STUDIO also has the authority to transfer money from some client accounts, which constitutes standing authority (also known as a standing letter of authorization, or SLOA). Accordingly, STUDIO will follow the safeguards and conditions specified by the SEC, rather than undergo an annual independent verification (i.e., a surprise accountant's examination).

## **Item 16 – Investment Discretion**

Under STUDIO's investment advisory agreement, which clients must execute (unless alternatively executing a financial services and/or investment consulting agreement), clients grant a limited power of attorney to the Firm with respect to trading activity in their accounts. Therefore, STUDIO will exercise full discretion as to the nature and type of securities to be purchased and sold and the amount of securities for such transactions, without preapproval by the client. Investment guidelines and restrictions may be designated by the client as outlined in the investment advisory agreement.

## **Item 17 – Voting Client Securities**

STUDIO does not exercise authority with respect to voting proxies on behalf of the Firm's clients. In no event will STUDIO exercise authority with respect to voting proxies on behalf of its clients. Custodians have a responsibility to vote proxies or deliver proxy materials to clients on a timely basis, according to their direct agreements with clients.

## **Item 18 – Financial Information**

Registered investment advisers are required to provide certain financial information or disclosures about their firms. STUDIO has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.