

# WINFIELD

## ASSOCIATES

Investment Advisors

**WINFIELD ASSOCIATES, INC.**

700 West St. Clair Avenue  
Suite 404  
Cleveland, Ohio 44113  
Telephone: 216.241.2575  
[Email: chris@winfieldinc.com](mailto:chris@winfieldinc.com)  
Web Address: [www.winfieldinc.com](http://www.winfieldinc.com)

**As of March 31, 2017**

**FIRM DISCLOSURE BROCHURE**

This brochure provides information about the qualifications and business practices of Winfield Associates, Inc. ("Winfield"). Winfield must provide this disclosure statement under applicable rules of the United States Securities and Exchange Commission. If you have any questions about the contents of this brochure, please contact us at 216.241.2575 or [chris@winfieldinc.com](mailto:chris@winfieldinc.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.

Additional information about Winfield is also 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 a CRD number. Our firm's CRD number is 108969 and our SEC 801 number is 801-54970.

## **ITEM 2 MATERIAL CHANGES**

This Firm Brochure, prepared in accordance with requirements of The United States Securities and Exchange Commission ("**SEC**"), is dated as of March 31, 2017. It is updated from our last prior annual update, dated March 31, 2016. The narrative of the document includes certain new or updated information, including the material changes described below.

### **SIGNIFICANT CHANGES & UPDATES**

Item 4: Under Amount of Managed Assets, the updated 12/31/16 assets under management value is \$203,518,726 of clients' assets on a discretionary basis and \$290,710 of clients' assets on a non-discretionary basis.

Item 14: Updated language regarding client referral arrangements.

Consistent with the SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year, December 31. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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#### **ITEM 4 ADVISORY BUSINESS**

Winfield Associates, Inc. (“Winfield”) is an investment adviser with its principal place of business located in Cleveland, Ohio. Winfield began conducting business in 1997. Winfield is registered as an investment adviser with the SEC. Registration as an investment adviser does not imply a certain level of skill or training.

Listed below are the firm’s principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company):

- William Winfield Baker, President
- Christopher William Baker, Chief Financial Officer

#### **INVESTMENT MANAGEMENT SERVICES**

Winfield customizes and manages investment portfolios with a fee-only engagement. We do not sell securities or charge commissions, so our advice is not affected by any potential sales compensation. Investment instruments may include equities, fixed income, convertible securities, publicly traded partnerships, exchange traded funds, mutual funds, and options. Winfield provides investment management services for individuals, endowments and foundations, retirees and business owners, including qualified retirement plans.

We manage advisory accounts on a discretionary or non-discretionary basis. Decisions relating to investments in such accounts are guided by the client’s stated objectives (i.e., capital preservation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issues
- Warrants
- Corporate debt securities
- Commercial paper
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- Exchange traded fund (“ETF”) shares
- United States governmental securities
- Options contracts on securities
- Futures contracts on intangibles
- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests (publicly traded MLPs)

Because different types of investments involve different characteristics and degrees of risk, investments in particular types of securities will only be implemented / recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

### **PENSION CONSULTING SERVICES**

We also provide several advisory services separately or in combination. While the primary clients for these services will be pension, profit sharing and 401(k) plans, we offer these services, where appropriate, to individuals and trusts, estates and charitable organizations. Pension Consulting Services consist of four distinct services. Clients may choose to use any or all of these services.

#### *Investment Policy Statement Preparation (hereinafter referred to as "IPS"):*

We will meet with the client (in person or over the telephone) to determine an appropriate investment strategy that reflects the plan sponsor's stated investment objectives for management of the overall plan. Our firm then prepares a written IPS detailing those needs and goals, including an encompassing policy under which these goals are to be achieved. The IPS also lists the criteria for selection of investment vehicles as well as the procedures and timing interval for monitoring of investment performance.

#### *Selection of Investment Vehicles:*

We assist plan sponsors in constructing appropriate asset allocation models. We will then review various mutual funds (both index and managed) to determine which investments are appropriate to implement the client's IPS. The number of investments to be recommended will be determined by the client, based on the IPS.

#### *Monitoring of Investment Performance:*

We monitor client investments continually, based on the procedures and timing intervals delineated in the Investment Policy Statement. Although our firm is not involved in any way in the purchase or sale of these investments, we supervise the client's portfolio and will make recommendations to the client as market factors and the client's needs dictate.

#### *Participant Services:*

Sponsors of pension, profit sharing and 401(k) plans in which individual plan participants exercising control over assets in their own account ("self-directed plans"), may engage us to provide participant-level services.

The sponsor may choose to limit these participant-level services to educational support and investment workshops. The nature of the topics to be covered will be determined by us and the client under the guidelines established in ERISA Section 404(c). The educational support and investment workshops will NOT provide plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

Sponsors may also engage us to develop asset allocation strategies based on the participant's own financial circumstances and investment objectives, and to update those recommendations as the participant's circumstances change.

### *Pooled Investment Management*

Sponsors of pension, profit sharing and 401(k) plans may engage Winfield to manage a pool of participant assets according to a strategy or strategies selected by the plan sponsor. In these engagements Winfield will not advise participants directly but may provide general educational support as well as in-depth details for each relevant strategy.

### **AMOUNT OF MANAGED ASSETS**

As of December 31, 2016, we were actively managing \$203,518,726 of clients' assets on a discretionary basis and \$290,710 of clients' assets on a non-discretionary basis.

Our firm utilizes sub-adviser relationships where appropriate. For all sub-adviser relationships, Winfield conducts due diligence on each sub-adviser and enters into a formal contractual relationship with each such sub-adviser. To the extent that Winfield utilizes a sub-adviser for any client, such client has approved the use of sub-advisers in the client's investment management agreement with Winfield.

### **ITEM 5 FEES & COMPENSATION**

#### ***Fees for Investment Management and Pension Consulting Services***

Winfield has adopted, effective in 2015, a tiered percentage fee schedule. Certain clients, at Winfield's exclusive discretion, may be grandfathered under the previous flat percentage fee schedule. Winfield will continue to be compensated based upon a percentage of assets under its management. Under the tiered fee schedule each client pays a fee based upon a percentage (%) corresponding to a specific asset level. The percentage declines as the assets placed under Winfield's management increases, as follows:

<b><u>Assets Under Management</u></b>	<b><u>Annual Percentage Fee</u></b>
Initial \$2,500,000	1.00%
Next \$2,500,000	0.75%
All Additional Amounts	0.60%

The annual fee is payable quarterly, in arrears, based upon the market value of the assets on the last day of the previous quarter. The fee for a partial quarter will be pro-rated based upon the number of days that Winfield managed the assets during the billing quarter.

Winfield, in its sole discretion, may determine to charge a lesser fee and/or reduce or waive its aggregate account minimum based upon the circumstances (such as anticipated future earnings capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, etc). Generally Winfield does not accept accounts of less than an aggregate \$500,000 but Winfield may accept relationships below the aggregate account minimum on a negotiated basis.

***Fees for Financial Planning:*** Winfield may provide a Financial Plan as a part of its wealth advisory services. Fees for a customized Financial Plan are as follows:

- For clients with less than \$1 million under management, Winfield will charge a fixed fee of \$1,000 for the initial in depth interview. At the conclusion of the initial conference, Winfield will estimate the fee for the client's financial plan, based on the hourly rates in effect at the time. Winfield's current rates are between \$100 and \$200 per hour depending upon the level and scope of the services required, and the professional rendering the service.
- For clients with more than \$1 million under management, Winfield will negotiate a fee based upon the estimated complexity of the plan.
- Winfield, in its sole discretion, may determine to charge a lesser planning fee and/or waive planning fees.

### **GENERAL INFORMATION**

***Grandfathering of Fees and Minimum Account Requirements:*** Winfield may elect to have clients remain subject to minimum account requirements and advisory fees in effect at the time the client enters the advisory relationship with our firm. For this and other reasons, our firm's minimum account requirements and fee schedule may differ among clients.

***No Prepayment of Fees:*** Under no circumstances do we require or solicit payment of fees in advance of services rendered.

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Other Costs and Fees:*** In addition to advisory fees paid to Winfield, clients may pay other fees and costs with respect to the assets under management with Winfield to third parties, including, but not limited to:

- fees of the client's broker;
- fees of the custodian of the client's assets under management;
- fees of mutual funds or exchange traded funds that the client's assets are invested in;
- fees of any consultant used by the client.

Some of these costs and fees are described in more detail below.

***Custodian and Broker Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for payments of all fees, commissions and expenses charged by custodians and broker-dealers and agent banks for American Depositary Receipts, for executing transactions we order under our discretionary authority or that the client authorized based on our recommendations. Please refer to the "Brokerage Practices," section (Item 12) of this Form ADV Part 2A for additional information.

***Mutual Fund and ETF Fees:*** All fees paid to Winfield for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. Fees and expenses are described in each fund's prospectus. Fees will generally include a management fee, other fund expenses, and may include a distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client can invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully

understand the total amount of fees to be paid by the client and to evaluate the advisory services being provided. Winfield does not receive any of the fees charged by a mutual fund or ETF.

**ERISA Accounts:** When Winfield provides advisory services to clients that are employee benefit plans or individual retirement accounts (“IRAs”), our firm owes certain additional fiduciary duties to such clients pursuant to the Employee Retirement Income Security Act (“ERISA”), and regulations under the Internal Revenue Code of 1986 (the “Code”), respectively. In those circumstances, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Winfield may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees (mutual fund fees).

**Termination of the Advisory Relationship:** Our advisory agreement may be terminated by either the client or our firm at any time upon written notice to the other party. In the event of termination, the client shall owe a prorated portion of the fees specified in such client’s advisory agreement, calculated to the date of termination.

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

Winfield does not charge performance-based fees.

## **ITEM 7 TYPES OF CLIENTS**

Winfield provides advisory services to the following types of clients:

- Individuals (other than high-net worth individuals)
- High net-worth individuals
- Pension and profit sharing plans (other than plan participants)
- Charitable organizations
- Corporations or other businesses not listed above

Generally Winfield does not accept accounts of less than an aggregate \$500,000 but Winfield may accept relationships below the aggregate account minimum on a negotiated basis.

## **ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS**

### **METHODS OF ANALYSIS**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Asset Allocation:** Winfield identifies an appropriate ratio of equities, fixed income instruments, alternatives and cash suitable to each client’s investment goals and risk tolerance.

The use of an asset allocation investing methodology means that, because a client is not heavily invested in one security, industry or market sector, if there is a sharp increase in the value of a particular security, industry or market sector, a client would not benefit from such sharp increase as much as they would if their investments were heavily concentrated. Further, the ratio of equities,



fixed income, alternatives and cash may change over time due to market movements and, if not corrected, may not be commensurate with the client's goals.

**Fundamental Analysis:** We measure the intrinsic value of a security by analyzing economic and financial factors (such as the economy, industry conditions, financial status and management of a company). We then determine if a company is appropriately valued.

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down following the overall market regardless of the economic and financial factors considered in evaluating the security.

**Qualitative Analysis:** We evaluate non-quantifiable factors such as quality of management, labor relations, and the strength of research and development. While these factors are not readily subject to measurement, they can have a significant influence on share prices.

A risk of using qualitative analysis is that our subjective judgment may prove incorrect.

**ETF and/or Mutual Fund Analysis:** Winfield utilizes ETFs and/or mutual funds to achieve a desired asset allocation and to diversify risk in a client's account. Winfield selects funds that provide diversified, transparent and liquid access to an investment strategy. Investments in funds may be based on asset allocation or industry sector allocation.

There are several risks in using ETF and/or mutual fund analysis. We do not control the underlying investments in an ETF or a mutual fund. It is possible that managers of different funds held by the client may purchase the same security, increasing the risk to the client if a security were to fall in value. There is risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Technical Analysis:** We analyze past market movements and apply the analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. Regardless of market movement, this presents a risk in that a poorly-managed or financially unsound company may underperform relative to the stock market in general.

**Risks for all forms of analysis:** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is a risk that our analysis may be compromised by inaccurate or misleading information.

## **INVESTMENT STRATEGIES**

We use the following strategies in managing client accounts, usually applying a blend of approaches that are appropriate to the needs of the client and are consistent with the client's investment objectives, risk tolerance, time horizon, and other considerations:

**Long-term purchases:** We purchase most securities with the strategy of holding them in the client's account for a year or longer. Typically, we employ this strategy when we:

- believe the securities to be currently undervalued, and/or

- want exposure to a particular asset class over time, regardless of the current projection for this class; and/or
- we believe that a client seeks the tax advantages of holding a security for long-term vs. short term.

A risk in a long-term purchase strategy is that by holding the security for a year or more, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases:** We may purchase some securities with the idea of selling them within a relatively short time (typically a year or less). This strategy is an attempt to take advantage of conditions that we believe will result in a near-term price increase.

There are many risks to short-term trading. Market trends, investor sentiment and momentum influence our decision to invest in short-term opportunities.

**Short Sales:** In certain instances where Winfield has full discretionary authority in a client account and it considers a short sale to be appropriate, Winfield will borrow shares of a stock on behalf of a client for the client's portfolio from a broker or another entity on a promise to replace the shares. At an appropriate time based on our analysis, we buy the same stock and return the shares to the original owner. We engage in short selling based on our belief that the stock will go down in price after we have borrowed the shares. If the stock price declines, the client realizes a profit. If the stock price increases, the client realizes a loss.

Short sales involve a high degree of risk and are only used in limited situations. The risk of loss in a short sale transaction is unlimited if the shares appreciate.

**Margin transactions:** Clients may arrange for margin credit, which is a loan from the custodian based on the value of the securities in the account. This allows a client who utilizes margin to purchase more stock than the client otherwise would be able to purchase with available cash and allows Winfield to purchase securities on behalf of its client without selling other holdings.

A risk to margin transactions is a decrease in the value of the marginable security. If the value of the security held as collateral falls, the custodian may force a "margin call" whereby Winfield must sell a client's security at the current market price to cover the decline in value, regardless of the current valuation of the security to be sold.

**Option trading:** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, like a stock or a bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives the holder the right to buy an asset at a certain price within a specific period of time. We will buy a call if we anticipate that the stock will increase substantially before the option expires.
- A put gives the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we anticipate that the price of the stock will fall before the option expires.

We may use options to speculate on the possibility of a sharp price swing. We will also use options to “hedge” a purchase of the underlying security; in other words, we will use an option purchase to limit the potential downside of a security we have purchased for a client.

We may use “covered calls”, in which we sell an option on a security in a client’s account. In this strategy, the client receives a fee for making the option available, and the entity purchasing the option has the right to buy the security from our client at an agreed price.

We may use “protective puts”, in which we buy an option on a security. In this strategy, the client pays “insurance” for the right to sell a security at an agreed-upon price.

### **RISK OF LOSS**

Securities investments are not guaranteed and may lose value. Clients should be prepared to bear risk of loss.

### **ITEM 9 DISCIPLINARY INFORMATION**

We are required to disclose any legal or disciplinary events that are material to a client’s or prospective client’s evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

## **ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS**

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

## **ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING**

Winfield, as a matter of policy and practice, and consistent with industry best practices and SEC requirements (SEC Rule 204A-1 under the Advisers Act), has adopted a written Code of Ethics covering its supervised persons. Winfield's Code of Ethics requires high standards of business conduct, compliance with federal securities laws, protection of material nonpublic information, and reporting and record keeping of personal securities transactions and holdings of certain firm personnel. The firm's current Code of Ethics is reviewed annually by Winfield's Chief Compliance Officer and is amended as appropriate. A copy of Winfield's Code of Ethics is available to any client or prospective client upon written request to the Chief Compliance Officer at the mailing address set forth on the cover page of this Firm Brochure.

### **ALLOCATION AND AGGREGATION OR BLOCK TRADING**

Winfield and its employees may purchase or sell the same securities as those purchased or sold for client accounts. In allocating securities to its client's accounts, Winfield employs the aggregation or block trading method to such transactions. This method allows Winfield to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall commission charges to clients. Winfield's policy is to aggregate client transactions where possible and when advantageous to clients. In these instances clients participating in any aggregated transactions will receive an average share price and transaction costs will be shared on a pro-rata basis. In the event that transactions of Winfield, its employees or principals ("proprietary accounts") are aggregated with client transactions, conflicts may arise and special policies and procedures have been adopted by Winfield to disclose and address these conflicts.

Winfield's policies and procedures and ethical standards require that its allocation procedures be fair and equitable to all clients with no particular group or client(s) being favored or disfavored over any other clients. In addition, Winfield's policy prohibits any allocation of trades in a manner that Winfield's proprietary accounts, affiliated accounts, or any particular client(s) or group of clients receive more favorable treatment than other client accounts. Prior to entering into any aggregated trade, the Winfield portfolio manager or trader, as appropriate, will complete a trade blotter specifying the participating client and employee accounts and the amount of securities to be purchased or sold for each account. After completing the trade, the portfolio manager will time-stamp the trade blotter and document which trade was completed next to the time-stamp. Where the client has directed the use of a particular broker, orders may be consolidated with those for other clients or employees who have selected that broker. If consolidated orders are executed at varying prices, the securities will be allocated to the respective accounts on an equitable basis, with each account, insofar as practical, receiving the same price and the same cost.

## **EMPLOYEE TRANSACTIONS**

Winfield maintains records of personal securities transactions for each employee.

### **ITEM 12 BROKERAGE PRACTICES**

For clients who give Winfield discretionary authority, the firm has the authority to supervise and direct the investment of the client's account. Pursuant to this discretionary authority, Winfield will determine the securities and the amounts of securities to be bought or sold for the account, the broker-dealer used to effect the transaction and commission paid to effect the transaction. Winfield's authority may be subject to requirements, imposed in writing by a client.

Winfield may select or recommend specific brokers for execution of trades. In so doing, Winfield's primary objective is to obtain the best combination of net price and favorable execution of orders, and not necessarily the lowest possible execution cost. Unless a client directs Winfield to use a specific broker dealer, factors considered by Winfield in selecting a broker dealer to achieve this "best execution" objective may include Winfield's knowledge of negotiated commission rates, the nature of the securities being purchased or sold, size and timing of the transaction, account execution and other services, including research and statistical services. In addition, Winfield may recommend a brokerage firm which refers clients to Winfield and/or provides additional operational services to Winfield. As a result of all the foregoing, the commission paid on the execution of trades or any particular trade may be higher than rates paid by other clients or higher than rates obtainable from other brokerage firms.

Clients of Winfield may choose their own broker by directing Winfield to execute transactions for their account(s) through a particular broker. If a client directs brokerage, the client's selection of a particular broker may impede Winfield's ability to negotiate commissions, obtain volume discounts or otherwise obtain best execution for its client. These limitations are also set forth in Winfield's advisory agreement with each client who directs brokerage.

Under supervision of Winfield's President, commissions may be used as soft dollars to purchase research services provided that:

- The service must be for the primary benefit of Winfield's clients;
- and
- Winfield cannot guarantee to meet any agreed amount since payment is subject to the availability of orders and presumes another broker will not offer superior execution.

In order to obtain research, Winfield may enter into soft dollar arrangements with broker dealers other than the custodian of client assets where Winfield would cause clients to pay higher commissions than those charged by other broker-dealers in return for soft dollars to pay for research products or services. If it does so, it will receive a benefit because Winfield will not have to produce or pay for the research, products, or services. Winfield may place trades away from a client's custodian using the custodian's prime brokerage services. Clients must be eligible to trade away from the custodian in order to qualify for prime brokerage.

Winfield may from time to time enter into soft dollar arrangements and use soft dollars to purchase research products or services that also have a non-research use, for example software. In these arrangements, Winfield will make a reasonable allocation of the cost of the research product or service and only pay for that portion of the cost allotted to investment selection and decision-making using soft dollars.

Winfield may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab") to maintain custody of clients' assets and to effect trades for their accounts. Schwab's services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors. These services generally are available to independent investment advisers so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Institutional, and are not otherwise contingent upon Winfield committing to Schwab any specific amount of business.

Schwab generally is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to Winfield other products and services, which include software and other technology, research, and pricing information. Many of these services generally may be used to service all or a substantial number of Winfield's accounts, including accounts not maintained at Schwab Institutional. While as a fiduciary, Winfield endeavors to act in its clients' best interests. Winfield's recommendation to clients to maintain assets in accounts at Schwab may be based in part for the benefit of Winfield of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest. Not all investment advisers require or recommend that their clients conduct brokerage activity through a particular brokerage firm.

### **ITEM 13 REVIEW OF ACCOUNTS**

**Reviews:** A review of an investment management account involves an analysis of the client's investments to implement Winfield's investment strategies and policies in a manner consistent with a client's requirements. Account review is conducted quarterly, unless otherwise specified by the client. Securities in an account are monitored regularly, and action is taken between reviews if deemed necessary by Winfield. Reviewers include: William W. Baker, CFA, President and Chief Executive Officer; Christopher W. Baker, Chief Financial Officer and Chief Compliance Officer; Thomas J. Nyitray, CFA, Portfolio Consultant; Mark Q. Haley, Vice President; and Christophe D. Jambon, CFA, Senior Associate. Each client's investment program is reviewed by William W. Baker, CFA, at least on an annual basis.

**Reports:** For investment management accounts, in addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, we provide quarterly reports summarizing account performance, balances and holdings.

## **ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION**

***Client Referrals:*** If a client is introduced to Winfield by either an unaffiliated or an affiliated solicitor, Winfield may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Winfield's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to Winfield by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of their solicitor relationship, and shall provide each prospective client with a copy of Winfield's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between Winfield and the solicitor, including the compensation to be received by the solicitor from Winfield.

## **ITEM 15 CUSTODY**

Our firm directly debits advisory fees from client accounts when such arrangement is authorized by the client and approved by the firm.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there is an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

Other than by directly debiting fees from client accounts, our firm does not have actual or constructive custody of client accounts.

## **ITEM 16 INVESTMENT DISCRETION**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell
- determine the broker or dealer to be used and the commission to be paid

Clients give us discretionary authority when they sign a discretionary contract with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by providing us with additional or new subsequent written instructions.

In certain cases, client may also grant Winfield discretion to engage and terminate external managers (subadvisors).

## **ITEM 17 VOTING CLIENT SECURITIES**

When Winfield votes proxies for its clients, it exercises the care, skill, prudence and diligence required of a fiduciary. This means that Winfield acts in the best interest of the client's account. This includes long-term and short-term economic interests, and takes into account, among other things, the effect of the proposal on the underlying value of the security, the makeup of the issuer's board of directors and the necessity of providing the directors with sufficient tools and flexibility to properly discharge their duties as directors.

The President is responsible for monitoring corporate actions. Information on corporate actions is made available by a variety of sources including printed media, Internet, and proxy statements. The President is responsible for voting decisions based upon the voting policies on time, and maintains a record of each proxy vote cast as well as each proxy statement relating to the vote.

A copy of Winfield's complete proxy voting policy is available upon written request. In addition, information on how specific proxies have been voted is available upon written request.

## **ITEM 18 FINANCIAL INFORMATION**

Under no circumstances do we require or solicit payment of fees in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. Winfield has no additional financial circumstances to report.