

Washburn Capital Management, Inc.

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This brochure provides information about the qualifications and business practices of Washburn Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at 772.299.4998 or susan@washburncapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Washburn Capital Management, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for Washburn Capital Management, Inc. is 125708.

Washburn Capital Management, Inc. is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

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Advisory Business

Form ADV Part 2A, Item 4

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

A. Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).

Notes: (1) For purposes of this item, your principal owners include the persons you list as owning 25% or more of your firm on Schedule A of Part 1A of Form ADV (Ownership Codes C, D or E). (2) If you are a publicly held company without a 25% shareholder, simply disclose that you are publicly held. (3) If an individual or company owns 25% or more of your firm through subsidiaries, you must identify the individual or parent company and intermediate subsidiaries. If you are an SEC-registered adviser, you must identify intermediate subsidiaries that are publicly held, but not other intermediate subsidiaries. If you are a state-registered adviser, you must identify all intermediate subsidiaries.

History:

- Washburn Capital Management, Inc. was incorporated in January 1997 as Paradigm of Indian River County.
- The company changed its name to Washburn Capital Management, Inc. in 2005. (We will refer to Washburn Capital Management, Inc. as Washburn Capital Management for the remainder of this document).
- The company is organized as an S corporation.

President: Robert E. Washburn

- Owns 51% of the company.

Vice President: David J. Washburn

- Owns 49% of the company

B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.

We operate solely as a fee based investment advisor. Your portfolio will include actively managed stocks and bonds along with some carefully selected exchange funds or mutual funds. A majority of our advice is focused on the following areas: 1) equity securities; 2) fixed income; and 3) cash and cash equivalents. We do not earn sales commissions by selling securities, insurance or other products so we feel this assures the objectivity of our advice.

Washburn Capital Management is client centered. Our sole objective is to meet the investment needs of each and every client. We are small enough that each client receives close, personal attention, sharing our expertise and becoming personally involved in the development of every portfolio. Our firm works closely with each client – through meetings and frequent formal and informal communications – to understand their income requirements, risk limitations and growth expectations. Partnering with our clients, we set realistic goals and devise strategies that strike the desired balance between capital preservation and capital growth.

C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.

We meet with clients to create an "investment strategy letter" that best suits their goals. Each investment strategy letter breaks down how we will diversify the client's portfolio between three categories: 1) equities; 2) fixed income and 3) cash or cash equivalents. If the client agrees with the strategy letter, then she/he signs the

letter.

The client or Washburn Capital Management may request changes in a strategy letter at anytime. For instance, a person nearing retirement age might go from a portfolio looking for growth to a portfolio focusing more on producing income and preserving assets. Clients may impose restrictions on investing in certain securities or types of securities.

D. If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.

N/A

E. If you manage client assets, disclose the amount of client assets you manage on a discretionary basis and the amount of client assets you manage on a non-discretionary basis. Disclose the date "as of" which you calculated the amounts.

Note: Your method for computing the amount of "client assets you manage" can be different from the method for computing "assets under management" required for Item 5.F in Part 1A. However, if you choose to use a different method to compute "client assets you manage," you must keep documentation describing the method you use. The amount you disclose may be rounded to the nearest \$100,000. Your "as of" date must not be more than 90 days before the date you last updated your brochure in response to this [Item 4.E.](#)

Assets Under Management: Discretionary: \$74,336,076 (as of 1/2011)

Fees and Compensation

Form ADV Part 2A, Item 5

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.

Note: If you are an SEC-registered adviser, you do not need to include this information in a brochure that is delivered only to qualified purchasers as defined in section 2(a)(51)(A) of the Investment Company Act of 1940. Washburn Capital Management operates solely as a fee based investment advisor. We do not receive commissions from any products and we do not compensate others for referrals. Our independent status allows us to avoid potential conflicts of interests.

- Our fee is 8/10ths of 1% annually with no hidden charges.
- Our investment management fees are charged as a percentage of your total assets managed.
- The management of assets in excess of \$5,000,000 can be negotiated.

Example: If your account is worth \$1,000,000 you will pay \$8,000 per year in advisory fees. This fee is most commonly debited from your account each quarter, in this example, it would be \$2,000 per quarter.

Washburn Capital Management also offers financial planning services at an hourly rate.

B. Describe whether you deduct fees from clients' assets or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients or deduct your fees.

A majority of our clients have their fees deducted directly from their brokerage accounts. When a client establishes an account with the custodian, the client decides whether or not they would like management fees deducted directly quarterly from their accounts. Some clients prefer to be billed quarterly and we send them an invoice.

We mail clients invoices at the end of each calendar quarter: March 30th, June 30th, September 31st and December 31st.

C. Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.

We use Charles Schwab & Company, Inc. (Schwab) as the custodian for the majority of our clients. Schwab does not charge you separately for custody services. Schwab is compensated by charging you commissions on trades. Schwab is a discount broker with the following current fees that are subject to change.

- Each equity trade is a flat rate of \$8.95.
- Mutual fund trading fees vary depending on the transaction amount.
- Fixed income trading fees vary depending on the quantity and security type.

D. If your clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.

We bill our clients for the quarter in advance. This policy is disclosed in our Investment "Agreement Contract".

If a client terminates our services before the end of the billing period, we will prorate the fees to the date the relationship ended.

E. If you or any of your supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items [5.E.1](#), [5.E.2](#), [5.E.3](#) and [5.E.4](#).

[1. Explain that this practice presents a conflict of interest and gives you or your supervised persons an incentive to recommend investment products based on the compensation received, rather than on a client's needs. Describe generally how you address conflicts that arise, including your procedures for disclosing the conflicts to clients. If you primarily recommend mutual funds, disclose whether you will recommend "no-load" funds.](#)

N/A

[2. Explain that clients have the option to purchase investment products that you recommend through other brokers or agents that are not affiliated with you.](#)

N/A

[3. If more than 50% of your revenue from advisory clients results from commissions and other compensation for the sale of investment products you recommend to your clients, including asset-based distribution fees from the sale of mutual funds, disclose that commissions provide your primary or, if applicable, your exclusive compensation.](#)

N/A

[4. If you charge advisory fees in addition to commissions or markups, disclose whether you reduce your advisory fees to offset the commissions or markups.](#)

Note: If you receive compensation in connection with the purchase or sale of securities, you should carefully consider the applicability of the broker-dealer registration requirements of the [Securities Exchange Act of 1934](#) and any applicable state securities statutes.

N/A

Performance-Based Fees and Side-By-Side Management

Form ADV Part 2A, Item 6

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

If you or any of your supervised persons accepts performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client (such as a client that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your supervised persons face by managing these accounts at the same time, including that you or your supervised persons have an incentive to favor accounts for which you or your supervised persons receive a performance-based fee, and describe generally how you address these conflicts.

N/A

Types of Clients

Form ADV Part 2A, Item 7

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

Describe the types of clients to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.

We provide investment advisory services to a variety of clients including:

- Individuals
- Retirement Plans
- Trust and Estates
- Charitable Organizations
- Corporation or Business Entities.

We do not have a minimum account size.

Methods of Analysis, Investment Strategies and Risk of Loss

Form ADV Part 2A, Item 8

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that clients should be prepared to bear.

Decision Making Process:

Our process begins with an examination of the bond and stock outlook for the next twelve to eighteen months. We consider a number of different factors which could impact on the capital markets. The most important areas for analysis typically include the following:

1. domestic, economic, social and political developments and trends;
2. international, economic, political trends;
3. monetary and fiscal policy;
4. confidence factors and confidence levels of consumers, businessmen and investors.

Given our research and conclusions, we reach a decision about the most likely course of interest rates and equity prices. Our investment strategy and areas that we select to invest in are designed to produce the maximum rate of return with the minimum amount of risk.

Portfolio Approach: Washburn Capital Management stresses the view that the desired investment goal can best be reached only when it has first been clearly defined. Our first responsibility is to develop realistic goals with our clients, based on an understanding of their requirements, risk limitations, and growth expectations.

Rather than recommending that clients adhere to predetermined investment programs, we develop investment strategies for each client. Later on, should investment needs changes, the plan can be easily modified by shifting emphasis toward the objective that is then appropriate.

Investment Philosophy: Our investment philosophy is based on the use of quality securities that are fairly valued at the time of purchase and whose intermediate outlook of one to three years is excellent.

In determining the securities to buy for our portfolios, we begin by studying the current economic situation and outlook for the next one to three years. Next, we study the posture of the market itself, as the two are related. The third step is to seek out those securities – common stocks, bonds, preferred stocks, MLPs or cash equivalents – that are best suited for the economic market environment that we forecast.

For common stocks, as much attention is paid to industry groups in the context of our outlook for the economy and the market as is spent on individual companies. If preferred stocks are used, both quality and yield are examined. If bonds are to be used, close attention is paid to merits of their quality, maturity and marketability. If we use MLPs in a portfolio, we search for MLPs with high yields, growing distributions and tax deferred opportunities. We may choose to invest in ETFs (exchange traded funds) when it makes sense for a client's portfolio. ETFs offer the following advantages over mutual funds 1) liquidity because they trade like a stocks; 2) lower expense ratios; and 3) tax benefits.

Always, our basic philosophy is exercised in the context of a particular client's objectives and needs.

YOUR INVESTMENTS WILL GO UP OR DOWN, DEPENDING ON MARKET CONDITIONS! We make no promises, guarantees or warranties that any of our services will result in a profit to you. You may rely on information furnished by us to be reasonably accurate and reliable.

B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

It is our investment strategy to provide our clients with consistent long term growth opportunities through proper asset diversification. We spread the investment risk over several types of assets classes. Although diversification cannot guarantee protection of a portfolio from losses, proper diversification can help smooth out returns and insulate a portfolio from the catastrophic consequences of an unforeseen geopolitical event. We mainly use equity investments and fixed income investments to achieve these goals.

Based on a client's particular needs for current income or future growth, we will recommend a portfolio mix that contains:

Equity investments in established growth and emerging growth companies within domestic and international markets.

- While stock market prices shift more dramatically than those of other types of investments, equity investments have proven to be one of the most effective ways to outpace inflation and build wealth over the long term.

Fixed income investments, focusing on income and capital stability, especially through high-quality intermediate term bonds.

- Our experience has shown that intermediate term bonds have performed nearly as well as long term bonds while presenting much less risk. We select individual bond holdings of institutional quality supplemented by no load bond mutual funds to help offset the risks of investing in bonds.
- In balancing the risks and rewards of investment opportunities, we strive to help our client achieve a comfortable level of after-tax, inflation adjusted returns.

There is some degree of risk present in every investment. We try to avoid or minimize risk in our investment selection. Some of the more prevalent risks include:

1. Inflation
2. Company Financial Health: Will the company be able to pay its debt and dividends?
3. Liquidity: Will the investor find a buyer or seller for the bond or equity?
4. Political and regulatory climate nationally and internationally.

We encourage our clients to discuss any risks with us that they are willing or unwilling to take in their portfolios.

We do not have a strategy of frequently trading securities. Since we do not earn sales commission or have sales quotas, it does not influence when or how frequently we make trades. The freedom from these considerations allows us to make decisions based on what is in our client's best interest and investment strategy. Simply put, we make trades when it is in our client's best interest. We are compensated based on your account market value and not on the number of trades or by purchasing or selling a particular stock or type of product.

C. If you recommend primarily a particular type of security, explain the material risks involved. If the type of

security involves significant or unusual risks, discuss these risks in detail.
See Section B. above.

Disciplinary Information

Form ADV Part 2A, Item 9

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

If there are legal or disciplinary events that are material to a client's or prospective client's evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.

Items 9.A, 9.B, and 9.C list specific legal and disciplinary events presumed to be material for this Item. If your advisory firm or a management person has been involved in one of these events, you must disclose it under this Item for ten years following the date of the event, unless (1) the event was resolved in your or the management person's favor, or was reversed, suspended or vacated, or (2) you have rebutted the presumption of materiality to determine that the event is not material (see Note below). For purposes of calculating this ten-year period, the "date" of an event is the date that the final order, judgment, or decree was entered, or the date that any rights of appeal from preliminary orders, judgments or decrees lapsed.

Items 9.A, 9.B, and 9.C do not contain an exclusive list of material disciplinary events. If your advisory firm or a management person has been involved in a legal or disciplinary event that is not listed in Items 9.A, 9.B, or 9.C, but nonetheless is material to a client's or prospective client's evaluation of your advisory business or the integrity of its management, you must disclose the event. Similarly, even if more than ten years have passed since the date of the event, you must disclose the event if it is so serious that it remains material to a client's or prospective client's evaluation.

A. A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which your firm or a management person

1. was convicted of, or pled guilty or nolo contendere ("no contest") to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;

N/A

2. is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;

N/A

3. was found to have been involved in a violation of an investment-related statute or regulation; or

N/A

4. was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.

N/A

B. An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which your firm or a management person

1. was found to have caused an investment-related business to lose its authorization to do business; or

N/A

2. was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority

(a) denying, suspending, or revoking the authorization of your firm or a management person to act in an investment-related business;

N/A

(b) barring or suspending your firm's or a management person's association with an investment-related business;

N/A

(c) otherwise significantly limiting your firm's or a management person's investment-related activities; or

N/A

(d) imposing a civil money penalty of more than \$2,500 on your firm or a management person.

N/A

C. A self-regulatory organization (SRO) proceeding in which your firm or a management person

N/A

1. was found to have caused an investment-related business to lose its authorization to do business; or

N/A

2. was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership;

(ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500.

Note: You may, under certain circumstances, rebut the presumption that a disciplinary event is material. If an event is immaterial, you are not required to disclose it. When you review a legal or disciplinary event involving your firm or a management person to determine whether it is appropriate to rebut the presumption of materiality, you should consider all of the following factors: (1) the proximity of the person involved in the disciplinary event to the advisory function; (2) the nature of the infraction that led to the disciplinary event; (3) the severity of the disciplinary sanction; and (4) the time elapsed since the date of the disciplinary event. If you conclude that the materiality presumption has been overcome, you must prepare and maintain a file memorandum of your determination in your records. See [SEC rule 204-2\(a\)\(14\)\(iii\)](#).

N/A

Other Financial Industry Activities and Affiliations

Form ADV Part 2A, Item 10

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

A. If you or any of your management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.

N/A

B. If you or any of your management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities, disclose this fact.

N/A

C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related person listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.

1. broker-dealer, municipal securities dealer, or government securities dealer or broker
2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)
3. other investment adviser or financial planner
4. futures commission merchant, commodity pool operator, or commodity trading advisor
5. banking or thrift institution
6. accountant or accounting firm
7. lawyer or law firm
8. insurance company or agency
9. pension consultant
10. real estate broker or dealer
11. sponsor or syndicator of limited partnerships.

We have a material relationship with Charles Schwab & Co., Inc. (Schwab). We do not view this relationship as creating a conflict of interest. Washburn Capital Management is independently owned and operated and not affiliated with Schwab.

Schwab provides us with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services are available to independent investment advisors on an unsolicited basis, at no charge to them as long as we maintain at least \$10 million of clients' assets in accounts at Schwab Advisor Services.

These services are not contingent upon us committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

We are not bankers or brokers. Instead, we leave these roles to a reputable company, Charles Schwab & Co., Inc. We do not make money from trading commissions. Instead, we are counselors and planners. We do not take possessions of funds or securities; we leave that job to our custodian, Schwab. Our noncommission fee schedule promotes total objective recommendations driven by our clients' individual investment goals.

Please refer to Form ADV Part 2A, Item A for more detailed information regarding our relationship with Schwab.

D. If you recommend or select other investment advisers for your clients and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.

N/A

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Form ADV Part 2A, Item 11

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

A. If you are an SEC-registered adviser, briefly describe your code of ethics adopted pursuant to [SEC rule 204A-1](#) or similar state rules. Explain that you will provide a copy of your code of ethics to any client or prospective client upon request.

Our Code Of Ethics is based on the principle that all employees of Washburn Capital Management have a fiduciary responsibility or a promise to place our clients' interests first. Stated another way, we place your interests ahead of our own and Washburn Capital Management

We take our fiduciary duty seriously. We educate employees about their responsibility to follow our Code of Ethics. Clients may request a copy of our Code of Ethics.

We believe that our independent status allows us to fulfill our fiduciary duties when managing accounts. We can concentrate on managing client accounts without worrying about third party conflicts, sales quotas or commissions.

Another part of our fiduciary duty means keeping your privacy and account and personal information confidential. We do not share your personal information without consulting you first or as required by law.

B. If you or a related person recommends to clients, or buys or sells for client accounts, securities in which you or a related person has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

Examples: (1) You or a related person, as principal, buys securities from (or sells securities to) your clients; (2) you or a related person acts as general partner in a partnership in which you solicit client investments; or (3) you or a related person acts as an investment adviser to an investment company that you recommend to clients.

N/A

C. If you or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that you or a related person recommends to clients, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.

We may invest in some of the same securities that we recommend to clients. These investments are never of sufficient magnitude to materially impact the price of an asset. All Washburn Capital Management employees must submit a listing of all their buys/sells on a quarterly basis. These lists are reviewed for any potential conflicts of interest.

D. If you or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for your own (or the related person's own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

Note: The description required by Item 11.A may include information responsive to Item 11.B, C or D. If so, it is not necessary to make repeated disclosures of the same information. You do not have to provide disclosure in response to Item 11.B, 11.C, or 11.D with respect to securities that are not "reportable securities" under [SEC rule 204A-1\(e\)\(10\)](#) and similar state rules.

See response to Section C.

Brokerage Practices

Form ADV Part 2A, Item 12

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

A. Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

1. **Research and Other Soft Dollar Benefits.** If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits"), disclose your practices and discuss the conflicts of interest they create.

Note: Your disclosure and discussion must include all soft dollar benefits you receive, including, in the case of research, both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

The Custodian and Brokers We Use

We do not maintain custody of your assets that we manage although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see Item 15 – Custody below). Your assets must be maintained in an account at a "qualified custodian" generally a broker/dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian. Washburn Capital Management is independently owned and operated and we are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab as a custodian/broker you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Though we strongly suggest that our client use Schwab, we allow clients to choose their own custodian. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see "Your Brokerage and Custody Costs").

How We Select Brokers/Custodians

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

- 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 your account)
- 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 assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc) and willingness to negotiate the prices
- Reputation, financial strength and stability
- Availability of other products and services that benefit us, as discussed below (see "Products and Services Available to Us from Schwab").

Your Brokerage and Custody Costs

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Schwab's commission rates applicable to our client account were negotiated based on the condition that our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. This commitment benefits you because the overall commission rates you pay are lower than they would be otherwise. In addition to commissions, Schwab charges you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities brought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades for your account is consistent with our duty to seek "best execution" of your 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")

a. Explain that when you use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, you receive a benefit because you do not have to produce or pay for the research, products or services.

Products and Services Available to Us From Schwab

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we do have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,000. Following is a more detailed description of Schwab's support services.

Services That Benefit You. 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 we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account,

Services That May Not Directly Benefit You. Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They included investment research, both Schwab's 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 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 statement)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping and client reporting.

Services That Generally Benefit Only Us. Schwab also offers other services intended to help us manage and further develop our business. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal and business needs
- Publications and conferences of practice management and business successions

- Access to employee benefit providers, human capital consultants, and insurance providers.

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

Washburn Capital Management's Use of Schwab's Services:

Though we are independently owned and operated, Schwab provides us with access to its institutional trading and custody services. Specifically, we use Schwab's software products to access clients' account data and to facilitate trades. We have also assessed and determined that the following areas do not pose any conflicts at our firm because we do not participate in the following: 1) IPO allocations; 2) client referrals; 3) selling shares of sponsored plans; 4) directed brokerage arrangements; and 5) equity interest in market centers.

Our Interest in Schwab's Services

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our 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 us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality and price of Schwab's services (see "How We Select Brokers/Custodians") and not Schwab's service that benefit only us. We have over \$70 million dollars in clients assets under management and we do not believe that recommending our clients to collectively maintain at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

b. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving the research or other products or services, rather than on your clients' interest in receiving most favorable execution.

"See above **"Services That Benefit You" & "How We Select Brokers/Custodians"**

Though we have potential conflicts of interest as discussed above, we are client centric. Our sole objective is to meet the investment need of each and every client.

Washburn Capital Management seeks the best terms reasonably available under the circumstances for our clients. We seek to have clients' orders executed at prices that are as favorable as possible under prevailing market conditions. We evaluated the following factors in retaining our broker/dealer: 1) the competitiveness of commission rates and transactions; 2) capability to execute trades efficiently; 3) the value of research provided; and 4) customer service.

We do allow clients the opportunity to choose their own broker. A client is under no obligation to use Schwab as a broker. If a client chooses a different broker, we disclose to the clients the potential disadvantages of such a relationship including increased commission and transactions costs. We also do not have an established working relationship with their choice of an alternative broker.

c. If you may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), disclose this fact.

N/A

d. Disclose whether you use soft dollar benefits to service all of your clients' accounts or only those that paid for the benefits. Disclose whether you seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

In 2011, Schwab agreed not to charge us for use of Portfolio Center. This was in response to our rapid growth and is an exception to our soft dollar policies.

All clients benefit from Portfolio Center because this software allows us to administer all clients' accounts. This software gives us access to such information:

- All transactions including purchases, sells, dividends etc historically for any account
- Cash balances for each account
- Reports that show cost basis information.

Ultimately, these capabilities allow us to help manage our clients' accounts more effectively.

e. Describe the types of products and services you or any of your related persons acquired with client brokerage commissions (or markups or markdowns) within your last fiscal year.

Note: This description must be specific enough for your clients to understand the types of products or services that you are acquiring and to permit them to evaluate possible conflicts of interest. Your description must be more detailed for products or services that do not qualify for the safe harbor in [section 28\(e\) of the Securities Exchange Act of 1934](#), such as those services that do not aid in investment decision-making or trade execution. Merely disclosing that you obtain various research reports and products is not specific enough.

N/A

f. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for soft dollar benefits you received.

N/A

2. Brokerage for Client Referrals. If you consider, in selecting or recommending broker-dealers, whether you or a related person receives client referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.

a. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving client referrals, rather than on your clients' interest in receiving most favorable execution.

N/A

b. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for client referrals.

N/A

3. Directed Brokerage.

a. If you routinely recommend, request or require that a client direct you to execute transactions through a specified broker-dealer, describe your practice or policy. Explain that not all advisers require their clients to direct brokerage. If you and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, describe the relationship and discuss the conflicts of interest it presents. Explain that by directing brokerage you may be unable to achieve most favorable execution of client transactions, and that this practice may cost clients more money.

N/A

b. If you permit a client to direct brokerage, describe your practice. If applicable, explain that you may be unable to achieve most favorable execution of client transactions. Explain that directing brokerage may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions because you may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices.

Note: If your clients only have directed brokerage arrangements subject to most favorable execution of

client transactions, you do not need to respond to the last sentence of Item [12.A.3.a.](#) or to the second or third sentences of Item [12.A.3.b.](#)

N/A

B. Discuss whether and under what conditions you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating.

Block trading (aggregating transactions) is permitted where the Company determines that the block trade of an order is in the best interest of each client participating in the order. The prices of the securities purchased or sold in a block trade shall be at the average executed prices for all transactions of the clients in that security of a given day. It is our policy to allow employees to participate in blocked trades and the effects of blocked trades such as average pricing.

Review of Accounts

Form ADV Part 2A, Item 13

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

A. Indicate whether you periodically review client accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the supervised persons who conduct the review.

Each morning we review the clients' accounts via our Portfolio Software. Mr. Robert Washburn, President and/or Mr. David Washburn, Vice-President conduct the review.

B. If you review client accounts on other than a periodic basis, describe the factors that trigger a review.

Each quarter we perform a "forensic test" on all of our accounts. We take a random sample of clients plus new clients to determine if the accounts line up with the strategy letters.

C. Describe the content and indicate the frequency of regular reports you provide to clients regarding their accounts. State whether these reports are written.

A quarterly letter is sent to each client providing information regarding the market environment as well as how their accounts are performing. The custodian remains responsible for producing and sending monthly statements directly to our clients.

Client Referrals and Other Compensation

Form ADV Part 2A, Item 14

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

A. If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.

We receive an economic benefit from Schwab in the form of support products and services it makes available to us and to other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see item 12 – Brokerage practices). The availability to us of Schwab's products and services is not based on us giving particular advice, such as buying particular securities for our clients.

B. If you or a related person directly or indirectly compensates any person who is not your supervised person for client referrals, describe the arrangement and the compensation.

Note: If you compensate any person for client referrals, you should consider whether [SEC rule 206\(4\)-3](#) or similar state rules regarding solicitation arrangements and/or state rules requiring registration of investment adviser representatives apply.

N/A

Custody

Form ADV Part 2A, Item 15

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

If you have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your clients, explain that clients will receive account statements from the broker-dealer, bank or other qualified custodian and that clients should carefully review those statements. If your clients also receive account statements from you, your explanation must include a statement urging clients to compare the account statements they receive from the qualified custodian with those they receive from you.

A majority of our clients choose to use Charles Schwab & Co., Inc. as their custodian. Our custodian maintains actual physical custody of client assets; Schwab acts like a safe deposit box for our clients' accounts.

To assure that your assets are protected, we use a reputable financial institution to custody our clients' accounts. This third party relationship brings an extra layer of protection for our clients. The custodian performs the following functions:

- Safekeeping securities and cash
- Collecting dividends and interest
- Settling purchases and sales
- 1099's and year end tax information
- Monthly Account Statements.

Under government regulations, we are deemed to have custody of your assets in very limited situations. Washburn Capital Management is deemed to have custody of your assets in the following situation

- If you authorize us to instruct Schwab to deduct our advisory fees directly from your account.

In this situation, the client must sign paperwork when opening his/her account granting such authority. The client has the choice to have his/her advisory fee deducted from his account or to be directly billed for advisory fees. The client may change these instructions through completing Schwab paperwork at any time.

As custodian, Schwab will send account statements directly to the client at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab. You should carefully review those statements promptly when you receive them. Clients should report any address or email changes to Schwab and Washburn Capital Management.

Investment Discretion

Form ADV Part 2A, Item 16

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).

Washburn Capital Management accepts discretionary authority to manage securities accounts on behalf of our clients. When a client opens an account with Schwab, she/he must decide whether to give us authorization in three areas: 1) trading and disbursement authorization; 2) trading authorization; and 3) investment advisory fee payment authorization. On the account application, each account holder must initial by each of the authorizations that they are willing to grant to Washburn Capital Management. Any of these authorizations may be revoked by providing notice to Schwab.

Voting Client Securities

Form ADV Part 2A, Item 17

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

A. If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, including those adopted pursuant to [SEC rule 206\(4\)-6](#). Describe whether (and, if so, how) your clients can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients may obtain information from you about how you voted their securities. Explain to clients that they may obtain a copy of your proxy voting policies and procedures upon request.

N/A

B. If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.

Washburn Capital Management does not vote proxies. Clients will receive their proxies directly from their custodian. Clients may contact Washburn Capital Management directly with any questions about a particular solicitation.

Financial Information

Form ADV Part 2A, Item 18

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

A. If you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, include a balance sheet for your most recent fiscal year.

1. The balance sheet must be prepared in accordance with generally accepted accounting principles, audited by an independent public accountant, and accompanied by a note stating the principles used to prepare it, the basis of securities included, and any other explanations required for clarity.

N/A

2. Show parenthetically the market or fair value of securities included at cost.

N/A

3. Qualifications of the independent public accountant and any accompanying independent public accountant's report must conform to [Article 2 of SEC Regulation S-X](#).

Note: If you are a sole proprietor, show investment advisory business assets and liabilities separate from other business and personal assets and liabilities. You may aggregate other business and personal assets unless advisory business liabilities exceed advisory business assets.

Note: If you have not completed your first fiscal year, include a balance sheet dated not more than 90 days prior to the date of your brochure.

Exception: You are not required to respond to Item 18.A of Part 2A if you also are: (i) a qualified custodian as defined in [SEC rule 206\(4\)-2](#) or similar state rules; or (ii) an insurance company.

N/A

B. If you have discretionary authority or custody of client funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to clients.

Note: With respect to [Items 18.A](#) and [18.B](#), if you are registered or are registering with one or more of the state securities authorities, the dollar amount reporting threshold for including the required balance sheet and for making the required financial condition disclosures is more than \$500 in fees per client, six months or more in advance.

N/A

C. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.

If you are registering or are registered with one or more state securities authorities, you must respond to the following additional Item.

N/A

