

**Washburn Capital Management, Inc.**

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March 20, 2020



**FORM ADV PART 2A  
BROCHURE**

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 772.564.7291. The information in this brochure has been approved and verified by the United States Securities and Exchange Commission.

Additional information about Washburn Capital Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://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 of an investment advisor does not imply any level of skill or training. The oral and written communications of an advisor provide you with information about which you determine to hire or retain an adviser.

## **Item 2 Summary of Material Changes**

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes. This is the annual updating amendment for Washburn Capital Management, Inc. Our current brochure may be requested by contacting David J. Washburn, Vice President, at 772.564.7291.

Since the filing of our Annual Amendment dated March 21, 2019 and Other-Than-Annual Amendment dated September 16, 2019 we have no material changes to report.

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## **Item 4 Advisory Business**

### **Description of our Business**

Washburn Capital Management, Inc. is an investment advisor with offices in Vero Beach, Florida and Banner Elk, North Carolina. We are a Florida corporation and began doing business in January 1997 as Paradigm of Indian River County, Inc. The company changed its name to Washburn Capital Management, Inc. in 2005. Robert E. Washburn is the majority owner, President and Chief Compliance Officer of Washburn Capital Management, Inc. David J. Washburn is the Vice President and is a minority owner. We provide discretionary investment management services.

Our brochure will hereafter refer to Washburn Capital Management, Inc. as “Washburn” and clients and prospective clients as “Client”. The term “Associated Persons” includes officers, employees, and all individuals providing investment advice on behalf of Washburn.

Our sole objective is to meet the individual investment needs of each and every client. Washburn is client centric and we recognize each client has his/her own financial circumstances, risk tolerance, time horizon and set of investment goals. Our firm works closely with each client – through meetings and frequent formal and informal communications – to understand the client’s financial situation, risk limitations and growth expectations.

Based on these meetings we partner with our clients, set realistic goals and devise strategies to achieve the desired goals. At this point, we also discuss any restrictions a client may wish to impose. Each and every client receives close, personal attention where we share our expertise and become personally involved in the development of the portfolio.

For each discretionary relationship a formal strategy and investment objective letter is created and approved by Washburn and the Client. This letter establishes the account’s objective and provides asset allocation ranges. These agreements are used throughout the management of the portfolio and reviewed frequently for compliance.

### **Types of Investments**

We primarily offer advice on equity and fixed income securities as well as exchange traded funds.

We may also advise our clients on any investment held in the portfolio at the inception of the advisory relationship.

### **Assets Under Management**

As of December 31, 2019, Washburn Capital managed \$145,614,945 in client assets on a discretionary basis.

## **Item 5 Fees and Compensation**

Washburn and our Clients enter into an investment management agreement. This agreement establishes an annual compensation amount billed on a quarterly basis in advance. The billing is performed at the end of each calendar quarter based on the market value of the portfolio. If a contract is entered into at any other time than the first day of a calendar quarter, our fees will include the upcoming quarter plus the number of days in the prior quarter for which you were a client. We do not receive commissions from any products, and we do not compensate others for referrals. This independent status allows us to avoid potential conflicts of interests.

- Our annual fee is 8/10ths of 1%
- Related accounts may be aggregated for fee calculation
- The management of assets in excess of \$5,000,000 can be negotiated
- We do not require a minimum account size

Advisory fees will be deducted directly from the client's account, unless otherwise agreed to by Washburn and the Client. Washburn will only deduct fees from an account at a qualified custodian after all written authorizations have been satisfied. On a quarterly basis, Washburn will:

- provide the client with a statement calculating the quarterly advisory fee;
- provide the custodian with instructions of the amount of the advisory fee to be deducted from the qualified custody account; and
- the client will receive a statement from the custodian, at a minimum of quarterly, showing all advisory fees paid.

Upon written notice, either party may terminate the investment management agreement without penalty or expense. Fees will be refunded in the event the termination happens on any other day than the last day of a calendar quarter.

### **Additional Fees and Expenses**

As part of the advisory process, our Clients or perspective clients will be required to enter into an agreement with a registered broker-dealer regarding custodial and brokerage services. In addition to Washburn's advisory fee, clients could incur transaction and/or brokerage fees when purchasing or selling securities. These fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. In addition, Washburn may invest in exchange traded funds or mutual funds as a part of the advisory services. These investments generally include a management fee and other expenses which are detailed in each fund's prospectus. These fees are distinct and separate from Washburn's advisory fee. We do not share in any transaction and /or brokerage fee or the fees relating to the mutual funds and exchange traded funds. See item 12 of this brochure "Brokerage Practices" for further details on the broker-dealer selection process.

## **IRA Rollover Considerations**

As part of Washburn investment advisory services, we may recommend that the Client withdraw the assets from their employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset-based fee as set forth in the agreement you executed with our firm. This practice presents a conflict of interest because persons providing investment advice on your behalf have an incentive to recommend a rollover to you for the purpose of generating fee-based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

An employee will typically have four options:

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney.

If you are considering rolling over your retirement funds to an IRA for us to manage here are a few points to consider before you do so:

1. Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
  - a. Employer retirement plans generally have a more limited investment menu than IRAs.
  - b. Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
2. Your current plan may have lower fees than our fees.
  - a. If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
  - b. You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.
3. Our strategy may have higher risk than the option(s) provided to you in your plan.
4. Your current plan may also offer financial advice.
5. If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution.
6. Your 401k may offer more liability protection than a rollover IRA; each state may vary.
  - a. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules, so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.

7. You may be able to take out a loan on your 401k, but not from an IRA.
8. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception, such as disability, higher education expenses or the purchase of a home.
9. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have any questions contact your investment representative, or call our main number as listed on the cover page of this brochure.

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

Washburn Capital does not charge performance-based fees (fees based on a share of capital gains or capital appreciation of the assets of a client). We do not participate in side-by-side management.

## **Item 7 Types of Clients**

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

- Individuals
- Businesses
- Trust and Estates
- Retirement Accounts

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

### **Methods of Analysis:**

We may use one or more of the following methods of analysis in providing our investment advice and/or managing client assets:

**Fundamental Analysis** - This method attempts to measure a security's intrinsic value by analyzing various economic and financial factors. The factors include the overall economy, industry conditions and the financial condition and management of a specific company. This type of analysis attempts to determine a value which can then be compared to the security's current price. At this point, a decision can be made to purchase or sell the security.

Fundamental analysis does not attempt to anticipate market movement. This presents a potential risk, as the security price may move up or down along with the overall market, regardless of the economic and financial factors considered.

**Technical Analysis** – This method evaluates a security by analyzing statistics generated by market activity, such as past prices and volumes. Technical analysts use charts and various tools to identify patterns that can suggest future activity. Technical analysis does not consider a security's intrinsic value or financial condition of a company. This type of analysis presents a risk that a financially troubled or poorly managed company may underperform regardless of market movement.

### **Investment Strategies:**

Our investment strategies will vary depending upon each client's specific financial situation. As such, we determine allocations and investments based upon your objectives, time horizon, risk tolerance, liquidity needs and any restrictions that could affect the composition of your portfolio.

**Asset Allocation** - 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 asset classes including equities, fixed income and cash and cash equivalents. The actual portfolio mix will be based on a client's investment objectives.



**Long Term Purchases** – securities purchased with the expectation that the value of those securities will grow over a period of one year or longer. This strategy is employed when we believe the securities are currently undervalued and/or we want exposure to a particular asset class or sector of the market. A risk of a long-term purchase strategy is the security may be affected by unpredictable long-term changes in the company in which you are invested or in the overall market.

**Short Term Purchases** – securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of conditions we believe will result in short term price fluctuations.

Short term investing generally involves a greater degree of risk due to market volatility over a shorter period of time.

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.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms or insulate clients from losses due to market corrections or declines. Past performance is in no way an indication of future performance.

### **Tax Considerations**

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional prior to and throughout the investing of your assets.

### **Recommendation of Particular Types of Securities**

As disclosed under the *Advisory Business* section in this brochure, we primarily recommend equity and fixed income securities and Exchange Traded Funds (ETFs). However, we may recommend other types of investments as appropriate for you since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

**Municipal Securities:** Municipal securities, while generally thought of as safe, can have significant risks associated with them including, but not limited to: the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that is used to pay the interest to the bondholders; when the bond is due to mature; and, whether or not the bond can be "called" prior to maturity.

**Bonds:** Corporate debt securities (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.

Stocks: There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to: the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, more well-established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

Exchange traded funds are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. Exchange traded funds differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. During time of extreme market volatility ETF pricing may lag vs the actual underlying asset values. This lag usually resolves itself in a short period of time (usually less than one day) however there is no guarantee this relationship will always occur. The returns on ETFs can be reduced by the costs to manage the funds.

## **Item 9 Disciplinary Information**

Investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Washburn or the integrity of Washburn's management. There are no legal or disciplinary events affecting Washburn.

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

We have no relationships or arrangements with other related financial entities that are material to our advisory business or to you as our client.

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

### **Code of Ethics**

Washburn has adopted a Code of Ethics and an Insider Trading Policy for all Associated Persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. Our Code of Ethics is based on the principle that all Associated Persons of Washburn Capital Management have a promise to place our clients' interests first. The Code of Ethics includes provisions relating to the confidentiality of client information, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items and personal trading procedures provisions. All associates must acknowledge the terms of the Code of Ethics annually. To request a copy of our Code of Ethics, please contact us at 772.564.7291.

Our firm and Associated Persons may buy or sell for their personal account(s) securities identical to or different from those recommended to our clients. In most instances, our ownership or purchase of securities will not conflict with client interests because 1) we tend to own securities with a long-term approach to investing 2) our purchases and sales will not be of a size relative to the overall trading in a security to have any meaningful price impact in the market.

## **Item 12 Brokerage Practices**

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

Washburn does not maintain custody of your assets that we manage. 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. We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to do so. While we recommend that you use Schwab as 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 will assist you in doing so. 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
- Their prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see “Products and Services Available to Us from Schwab”).
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### **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 in 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 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 bought 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 is consistent with our duty to seek “best execution” of your trades. Best execution means most favorable terms for a transaction based on all relevant factors, including those listed above (see “How we select brokers/custodians”).

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

Schwab Advisor Services™ 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 are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. 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 include 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. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client account
- 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 on 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.

### **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 services that benefit only us.

We have over \$145 million dollars in client 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.

Our sole objective is to meet the investment need of each and every client. Washburn 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 client 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.

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 client in that security of a given day. It is our policy to allow Associated Persons to participate in blocked trades and the effects of blocked trades such as average pricing. They will not however be given preferential treatment.

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

Mr. Robert Washburn, President and Chief Compliance Officer and/or Mr. David Washburn, Vice-President conduct a daily review of all clients' accounts. We reconcile our internal accounts daily with the information provided by the custodian. The daily reconciliation shows the following types of information: 1) accounts opened/closed; 2) daily pricing of securities; 2) all withdrawals and deposits; 3) dividends/income paid; 4) all trades; and 5) trade commissions. In addition, each quarter we perform a "forensic test" on our accounts. We take a random sample of clients plus new clients to determine if the accounts are in compliance with the investment strategy letters.

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

Washburn and its associated persons do not receive commissions from any products and we do not compensate others for referrals.

We receive an economic benefit from Schwab in the form of the support products and services that it makes available to us and other independent investment advisors that have their clients maintain 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 investment advice, such as buying particular securities for our clients.

## **Item 15 Custody**

The qualified custodian maintains actual physical custody of client assets. This third-party relationship brings an extra layer of protection for our clients. The custodian is responsible for performing the following functions.

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

Under government regulations, we are deemed to have limited custody of your assets if you authorize us to instruct the qualified custodian to deduct our advisory fees directly from your account. In this situation, the client signs paperwork with the qualified custodian granting such authority. Schwab maintains actual custody of your assets. You will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address you provided Schwab. You should carefully review those statements promptly when you receive them.

## **Item 16 Investment Discretion**

Washburn usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amounts of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client's account.

When selecting securities and determining amounts, Washburn observes the investment policies, limitations and restrictions of the clients for which it advises.

Investment guidelines and restrictions must be provided to Washburn in writing.

## **Item 17 Voting Client Securities**

As a matter of firm policy and practice, Washburn does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any all securities maintained in client portfolios

## **Item 18 Financial Information**

We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to you and we have not been the subject of a bankruptcy proceeding.

## **Item 19 Additional Information**

### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. Except as stated below, if a profit results from correcting the trade, you will retain the profit.

For accounts custodied at Schwab: If a profit results from the correcting trade, the gain will remain in your account unless the same error involved other client account(s) that should have received the gain, you are not permitted to keep the gain, or you do not want the profit (e.g., due to tax reasons). If the profit does not remain in your account, and your account is custodied at Schwab: Schwab will donate the amount of any profit \$100 and over to charity. If a loss occurs greater than \$100, we will pay for the loss. Schwab will keep the loss or profit (if you do not keep the profit) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in profit and losses in your account, they will be netted.