

# ProfitScore Capital Management, Inc.

SEC File Number: 801 – 70342

## **ADV Part 2A, Firm Brochure**

**Dated: March 27, 2020**

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This brochure provides information about the qualifications and business practices of ProfitScore Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at (208) 472-8849. 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 ProfitScore Capital Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to ProfitScore Capital Management, Inc. as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

PURSUANT TO AN EXEMPTION FROM THE COMMODITY FUTURES TRADING COMMISSION IN CONNECTION WITH ACCOUNTS OF QUALIFIED ELIGIBLE PERSONS, THIS BROCHURE IS NOT REQUIRED TO BE, AND HAS NOT BEEN, FILED WITH THE COMMODITY FUTURES TRADING COMMISSION. THE COMMODITY FUTURES TRADING COMMISSION DOES NOT PASS UPON THE MERITS OF PARTICIPATING IN A TRADING PROGRAM OR UPON THE ADEQUACY OR ACCURACY OF A COMMODITY TRADING ADVISOR DISCLOSURE. CONSEQUENTLY, THE COMMODITY FUTURES TRADING COMMISSION HAS NOT REVIEWED OR APPROVED THIS TRADING PROGRAM OR BROCHURE.<sup>1</sup>

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<sup>1</sup> This disclosure is only applicable to ProfitScore Capital Management, Inc.'s managed futures accounts offered to a limited number of Qualified Eligible Persons.

## **Item 2                   Material Changes**

There have been no material changes to this Brochure since ProfitScore's last Annual Amendment filing on March 29, 2019. However it seems appropriate to provide assurance about ProfitScore's ongoing operations with respect to COVID-19 virus and associated "Lockdowns".

### **ProfitScore Business Continuity Overview**

ProfitScore's business is designed to be location independent, with portable, redundant systems and people with overlapping expertise, responsibilities, and regulatory registration to assure operations with the loss of headquarters infrastructure or a key person. **COVID-19 supplement:** since ProfitScore plans for headquarters infrastructure loss as a routine part of operations, employees work from home or on business and personal travel frequently. Sheltering in place and performing normal functions from alternate locations required no special preparation. The headquarters remains available and accessible with CDC recommended supplies, but most employees are sheltering in place at home.

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#### **Item 4                      Advisory Business**

- A. ProfitScore Capital Management, Inc. (“ProfitScore”) is a corporation formed on April 30, 1998 in the state of Idaho. ProfitScore registered as an investment adviser in the state of Idaho in 2002 and registered with the U.S. Securities and Exchange Commission in July 2009. ProfitScore is owned by its Principal, John M. McClure.

ProfitScore registered as a Commodity Trading Advisor (“CTA”), which became effective May 21, 2015, and was approved as a member of the National Futures Association on June 10, 2015.

- B. ProfitScore provides investment advisory services that include serving as a sub-adviser for registered investment advisers (“RIAs”), index consulting for mutual funds and RIA’s, and discretionary asset management for separately managed client accounts. ProfitScore’s sub-advisory and index consulting activities account for the vast majority of all assets managed and under advisement by ProfitScore. ProfitScore does not provide financial planning or related consulting services.

In addition to its investment advisory services, ProfitScore provides advice on managed futures for institutional clients that are Qualified Eligible Persons (“QEPs”).

#### **INVESTMENT ADVISORY SERVICES**

ProfitScore provides discretionary investment advisory services on a *fee-only* basis.

**Sub-Advisory Arrangements.** ProfitScore is engaged as a sub-adviser by other unaffiliated investment advisers and institutions. When engaged in a sub-advisory capacity, ProfitScore charges the investment adviser for its sub-advisory services.

As a sub-adviser, ProfitScore has discretionary authority for the ongoing management of assets. The unaffiliated investment advisers are responsible for both the initial and ongoing day-to-day relationship with the underlying investor, including initial and ongoing determination of the investor’s suitability for ProfitScore’s investment strategies. If the unaffiliated investment adviser determines the custodian/broker-dealer, ProfitScore will be unable to negotiate commissions or transaction costs, and as a result will not be responsible for seeking best execution. As a result, investors may pay higher commissions, other transaction costs, greater spreads, or receive less favorable net prices on transactions for the account than would otherwise be the case through alternative clearing arrangements. Higher costs adversely impact account performance.

**Inverse and Enhanced Market Strategies.** ProfitScore uses long and short mutual funds, exchange traded funds (“ETFs”), and/or exchange traded notes (“ETNs”) that are designed to perform in either inversely or positively correlated relationship to market indices at a ratio of one (1:1) or more times the index returns. ProfitScore use these securities in an attempt to hedge against risks, provide returns in declining markets and to enhance returns in upward trending markets. There can be no assurance that any of these strategies will be profitable or successful. In light of these enhanced risks, a client may direct ProfitScore, in writing, not to employ any or all these strategies for their accounts.

#### **PROFITSORE INDEX LICENSING**

ProfitScore owns all rights to ProfitScore Indexes (“Indexes”). ProfitScore licenses Indexes to third parties, including, but not limited to investment companies, RIAs and mutual funds. In exchange for licensing its Indexes, ProfitScore receives licensing fees. Also, from time-to-time, ProfitScore recommends that certain advisory clients invest in the investment companies and/or mutual funds to which ProfitScore also licenses its Indexes. To mitigate this conflict of interest, ProfitScore will reduce a client’s advisory

fee by the annual percentage rate as the licensing fee earned by ProfitScore for any assets invested in securities, including mutual funds that ProfitScore licenses its Indexes. ProfitScore's clients are under absolutely no obligation to consider or make an investment in these securities, and can direct ProfitScore not to purchase them in writing. ProfitScore's Chief Compliance Officer, Michael Mann, remains available to address any questions that a client or prospective client may have regarding these arrangements and the conflict of interest they create.

#### MISCELLANEOUS

**Limited Consulting/Implementation Services.** ProfitScore does not provide financial or retirement planning or related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. ProfitScore does not serve as an attorney, accountant, or insurance agency, and no portion of our services should be construed as legal, accounting, or insurance implementation services. Accordingly, ProfitScore does not prepare financial or retirement plans, estate planning documents, tax returns or sell insurance products. To the extent requested by a client, we may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc). Clients are under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation made by Registrant or its representatives. If the client engages any recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and not ProfitScore, shall be responsible for the quality and competency of the services provided.

**Use of Mutual Funds.** While ProfitScore may recommend allocating investment assets to mutual funds that are not available directly to the public, ProfitScore may also recommend that clients allocate investment assets to publicly-available mutual funds that the client could obtain without engaging ProfitScore as an investment advisor. However, if a client or prospective client determines to allocate investment assets to publicly-available mutual funds without engaging ProfitScore as an investment adviser, the client or prospective client would not receive the benefit of ProfitScore's initial and ongoing investment advisory services.

**Client Obligations.** In performing its services, ProfitScore shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify ProfitScore if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising ProfitScore's previous recommendations and/or services.

**Disclosure Statement.** A copy of ProfitScore's written Brochure as set forth on Part 2 of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement*.

- C. ProfitScore provides investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, ProfitScore shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on ProfitScore's services.
- D. ProfitScore does not participate in a wrap fee program.

- E. As of December 31, 2019, ProfitScore had approximately \$242,300,000 in assets under management on a discretionary basis.

## Item 5 Fees and Compensation

### A. INVESTMENT ADVISORY AND INDEX LICENSING SERVICES

- ProfitScore provides discretionary investment advisory services on a *fee-only* basis.
- Institutional advisory fees are negotiated based on the services provided.
- Index licensing Fees are negotiated based on the services provided.

Individual Client advisory fees:

Fees are based upon a percentage (%) of the market value and type of assets placed under ProfitScore's management (between 1.95% and 2.95%) as follows:

<u>Net Asset Value of Client's Account(s)</u>	<u>% of Assets</u>
First \$500,000	2.95%
Second \$500,000	2.45%
Over \$1,000,000	1.95%

ProfitScore is also compensated through an account opening fee of \$250 and an administrative fee for statement preparation, which are documented in the client's agreement with ProfitScore.

At any time and for a substantial length of time ProfitScore may hold a significant portion of a client's assets in cash or money market mutual funds. Investments in these assets may cause a client to miss out on upswings in the markets. Unless ProfitScore expressly agrees otherwise in writing, account assets consisting of cash and money market mutual funds are included in the value of an account's assets for purposes of calculating its fees.

ProfitScore may recommend that certain advisory clients invest in securities, including mutual funds, which ProfitScore sub-advises or licenses its Indexes. To mitigate this conflict of interest, ProfitScore will reduce a client's advisory fee by the annual percentage rate as the licensing fee or sub-advisory fee earned by ProfitScore for any assets invested in these securities. ProfitScore's clients are under absolutely no obligation to consider or make an investment in these securities, and can direct ProfitScore not to purchase these securities in writing. ProfitScore's Chief Compliance Officer, Michael Mann, remains available to address any questions that a client or prospective client may have regarding these arrangements and the conflict of interest they create.

### B. Individual Client advisory fee deductions from custodial account:

Clients may elect to have ProfitScore's advisory fees deducted from their custodial account. Both ProfitScore's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of ProfitScore's investment advisory fee and to directly remit that management fee to ProfitScore in compliance with regulatory procedures. In the limited event that ProfitScore bills the client directly, payment is due upon receipt of ProfitScore's invoice. ProfitScore shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.

### C. Custodians

Clients will select a custodian to provide institutional custodial services and ProfitScore must agree on any selected custodian. Custodial fees are disclosed in the custodial agreements with the institutional clients.

**Individual Client Account Custodian:**

ProfitScore generally recommends that E\*Trade Advisor Services (Trust Company of America, "TCA") serve as the broker-dealer/custodian. Broker-dealers such as TCA charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). Clients will also incur, relative to all mutual fund and exchange traded fund purchases, fees and expenses at the fund level (e.g. management fees and other fund expenses).

Please note: as of the date of this Brochure TCA's Annual Custody Fees, which are prorated and paid quarterly were as follows:

Accounts valued between \$0-\$249,999	29 basis points
Accounts valued between \$250,000 - \$499,999	24 basis points
Accounts valued between \$500,000 - \$999,999	18 basis points
Accounts valued between \$1,000,000 and above	11 basis points

Asset Based Pricing Limitations. Certain custodians may require individual clients to enter into an asset based pricing agreement. Under an asset based pricing arrangement, the amount that the client will pay the custodian for account fees is based upon a percentage (%) of the market value of the client's account (generally, the greater the market value, the lower the %). This differs from transaction-based pricing, which assesses separate commissions and transaction fees for certain account transactions. Account investment decisions are driven by security selection and anticipated market conditions and not the amount of transaction fees payable by the client to the account custodian. ProfitScore does not receive any portion of the asset based transaction fees paid by the client to the account custodian. ProfitScore continues to believe that its clients may benefit from an asset based pricing arrangement. The client can request at any time to switch from asset based pricing to transactions based pricing, however, there can be no assurance that the volume of transactions will be consistent from year-to-year given changes in market events and security selection. Given the variances in trading volume, any decision by the client to switch to transaction based pricing could prove to be economically disadvantageous. ProfitScore does not monitor individual accounts to determine whether an asset-based or transaction-based pricing arrangement is more appropriate for a given client. Clients remain responsible for selecting where to maintain their account.

- D. Institutional advisory client fees will be paid in the manner indicated by agreements.

Index licensing client fees will be paid in the manner indicated by agreements.

**Individual Client Advisory Fee Arrangements:**

Clients pay fees in advance, based upon the Net Asset Value (NAV) of the client's account on the last business day of the previous quarter. ProfitScore generally requires a \$1,000,000 relationship minimum for investment management services. ProfitScore, in its sole discretion, may charge a lesser investment management fee or reduce or waive its minimum asset requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The *Investment Advisory Agreement* between ProfitScore and the client will continue in

effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination of client advisory services, ProfitScore shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- E. Except for the Indexes, neither ProfitScore, nor its representatives accept compensation from the sale of securities or other investment products.

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

ProfitScore charges performance-based fees for some institutional advisory services. Neither ProfitScore nor any supervised person of ProfitScore receives performance-based fees for individual client advisory services.

ProfitScore negotiates the terms of these performance-based arrangements on a case-by-case basis and include such terms in the agreement it enters with the applicable client. A conflict of interest exists because ProfitScore generally charges clients an asset-based fee for the services it provides, but it charges certain clients performance-based fees. As a result, ProfitScore has an incentive to favor accounts with performance-based fee relationships so they perform better and, in turn, ProfitScore receives more fees. ProfitScore also may have an incentive to offer investments that it believes will be more profitable than other investments to the accounts that are subject to performance-based fee relationships. However, accounts that pay performance-based fees generally follow different strategies and invest in different types of investment products—mainly managed futures. Notwithstanding, we seek to address these conflicts of interest by emphasizing our duty to place the interests of our clients first.

#### **Item 7                      Types of Clients**

ProfitScore's clients generally include business entities, trusts, estates, charitable organizations and individuals.

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

- A. ProfitScore primarily uses quantitative analysis of economic and market data to forecast the direction of asset prices.

ProfitScore may apply the following investment strategies when implementing investment advisory services:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Intraday Trading (Securities sold within the same day). ProfitScore's analytical methods do not generally indicate intraday trading, but in certain circumstances, ProfitScore may enter and close ETF, ETN or futures positions in the same day.

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by ProfitScore) will be profitable or equal any specific performance level(s).

- B. ProfitScore's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis ProfitScore must have access to current/new information. ProfitScore has no control over the dissemination rate of market information; therefore, unbeknownst to ProfitScore, certain analyses may be compiled with outdated market information, severely limiting the value of ProfitScore's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

And every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer-term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short-term investment strategy and substantially higher transaction costs than a longer term investment strategy.

Certain investment opportunities that become available to ProfitScore's clients may be limited. For example, various mutual funds may, from time to time, limit the number of shares available for purchase by mutual fund asset allocators, such as ProfitScore. In order to meet its fiduciary duties to all of its clients, ProfitScore will endeavor to allocate investment opportunities among all clients on a fair and equitable basis. However, except as otherwise provided by federal or state securities laws, ProfitScore shall not be liable for an adverse decision by a mutual fund or insurance company to unilaterally restrict or prohibit asset allocation activities such as those of ProfitScore.

- C. ProfitScore generally allocates the investment management assets of its clients, on a discretionary basis, among various mutual funds, exchange traded funds, exchange traded notes and/or investment subdivisions of variable investment products or futures in managed futures accounts, in accordance with ProfitScore's proprietary asset management programs, whereby ProfitScore shall exchange and/or transfer client investments among different assets in accordance with the investment objective(s) of the client.

ProfitScore's proprietary programs have been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides managed investment programs, with a non-exclusive safe harbor from the definition of an investment company.

ProfitScore's annual investment management fee may be higher or lower than that charged by other investment advisers offering similar services or programs. ProfitScore's investment programs may involve above-average portfolio turnover which could negatively impact upon the net after-tax gain experienced by an individual client in a taxable account.

## **Item 9                   Disciplinary Information**

ProfitScore has not been the subject of any disciplinary actions.

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



- A. Neither ProfitScore, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. In addition to being registered as an investment adviser with the SEC, ProfitScore is also registered as a commodity trading adviser (“CTA”) with the Commodity Futures Trading Commission (“CFTC”), and certain related persons are registered as CTA principals or associated persons.
- C. Item 4.B describes (i) ProfitScore’s indexing services, (ii) the associated conflicts of interest, and (iii) how ProfitScore addresses these conflicts of interest.
- D. ProfitScore does not receive, directly or indirectly, compensation from investment advisers that it recommends or selects for its clients.

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

- A. ProfitScore maintains an investment policy relative to personal securities transactions. This investment policy is part of ProfitScore’s overall Code of Ethics, which serves to establish a standard of business conduct for all of ProfitScore’s Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, ProfitScore also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by ProfitScore or any person associated with ProfitScore.

- B. Item 4.B describes (i) ProfitScore’s indexing services, (ii) the associated conflicts of interest, and (iii) how ProfitScore addresses these conflicts of interest.
- C. ProfitScore and/or representatives of ProfitScore may buy or sell securities that are also recommended to clients. This practice may create a situation where ProfitScore and/or representatives of ProfitScore are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if ProfitScore did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of ProfitScore’s clients) and other potentially abusive practices.

ProfitScore has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of ProfitScore’s “Access Persons”. ProfitScore’s securities transaction policy requires that an Access Person of ProfitScore must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date ProfitScore selects.

- D. ProfitScore and/or representatives of ProfitScore *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where ProfitScore and/or representatives of ProfitScore are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, ProfitScore has a

personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of ProfitScore's Access Persons.

## **Item 12 Brokerage Practices**

- A. Institutional Subadvisory Accounts - Brokerage arrangements are determined by mutual agreement of ProfitScore and the client.

Individual Client Accounts - ProfitScore generally recommends that investment management accounts be maintained at *TCA*. Prior to engaging ProfitScore to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with ProfitScore setting forth the terms and conditions under which ProfitScore shall manage the client's assets and a separate custodial/clearing agreement with each designated broker-dealer/ custodian.

Factors that ProfitScore considers in recommending *TCA* (or any other broker-dealer/custodian to clients) include historical relationship with ProfitScore, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by ProfitScore's clients shall comply with ProfitScore's duty to seek best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where ProfitScore determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although ProfitScore will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, ProfitScore's investment management fee. ProfitScore's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

### **1. Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, ProfitScore receives from *TCA* (or another broker-dealer/custodian, investment platform, unaffiliated investment manager, vendor, unaffiliated product/fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist ProfitScore to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by ProfitScore may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by ProfitScore in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that are received may assist ProfitScore in managing and administering client accounts. Others do not directly provide such assistance, but rather assist ProfitScore to manage and further develop its business enterprise.

There is no corresponding commitment made by ProfitScore to *TCA* or any other entity to invest any specific amount or percentage of client assets in any specific

mutual funds, securities or other investment products as a result of the above arrangement.

ProfitScore's Chief Compliance Officer, Michael Mann, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.

2. ProfitScore does not receive individual client referrals from broker-dealers.
3. ProfitScore does not generally accept directed brokerage arrangements (when an individual client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and ProfitScore will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by ProfitScore. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

Please Note: In the event that the client directs ProfitScore to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through ProfitScore. Higher transaction costs adversely impact account performance. Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

ProfitScore's Chief Compliance Officer, Michael Mann, remains available to address any questions that a client or prospective client may have regarding the above arrangement.

- B. Transactions for individual client accounts are aggregated using TCA's Liberty technology. With this technology, trades for all clients invested in the same model are placed at the same time and receive the same average execution price. ProfitScore does not receive any additional compensation or remuneration as a result of such aggregation.

### **Item 13                    Review of Individual Client Accounts**

- A. For those clients to whom ProfitScore provides investment supervisory services, account reviews are conducted on an ongoing basis by ProfitScore's Principal, John M. McClure and/or ProfitScore's representatives. All investment supervisory clients are advised that it remains their responsibility to advise ProfitScore of any changes in their investment objectives and/or financial situation. ProfitScore encourages all clients to contact ProfitScore annually, in person or by phone, to review investment objectives and account performance.
- B. ProfitScore may conduct account reviews on a non-periodic basis when triggering events occur; such as changes in client investment objectives and/or financial situations, market corrections and client requests.

- C. Clients receive regular account statements and confirmations from their broker-dealer(s) and/or custodian. In addition, ProfitScore may provide additional reports at the request of the client.

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

- A. As referenced in Item 12.A.1 above, ProfitScore receives an economic benefit from TCA. ProfitScore, without cost (and/or at a discount), receives support services and/or products from TCA.

There is no corresponding commitment made by ProfitScore to TCA or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

ProfitScore's Chief Compliance Officer, Michael Mann, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.

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

#### **Item 15                    Custody**

ProfitScore does not take custody of Client assets.

However, with client consent, ProfitScore shall have the ability to have its advisory fee for debited by the custodian on a quarterly basis. Clients receive regular account statements and confirmations from their broker-dealer(s) and/or custodian. In addition, ProfitScore may provide additional reports at the request of the client.

Please Note: To the extent that ProfitScore provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by ProfitScore with the account statements received from the account custodian. Please Also Note: The account custodian does not verify the accuracy of ProfitScore's advisory fee calculation.

#### **Item 16                    Investment Discretion**

The client can determine to engage ProfitScore to provide investment advisory services on a discretionary basis. Prior to ProfitScore assuming discretionary authority over a client's account, the client shall be required to execute *Investment Advisory Agreement*, naming ProfitScore as the client's attorney and agent in fact, granting ProfitScore full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage ProfitScore on a discretionary basis may, at any time, impose restrictions, in writing, on ProfitScore's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe ProfitScore's use of margin, etc.).

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

- A. ProfitScore does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

ProfitScore will not be responsible and each client has the right and responsibility to take any actions with respect to any legal proceedings, including without limitation, bankruptcies and shareholder litigation, and the right to initiate or pursue any legal proceedings, including without limitation, shareholder litigation, including with respect to transactions, securities or other investments held in the client's account or the issuers thereof. ProfitScore is not obligated to render any advice or take any action on a client's behalf with respect to securities or other property held in the client's account, or the issuers thereof, which become the subject of any legal proceedings, including without limitation, bankruptcies and shareholder litigation, to which any securities or other investments held or previously held in the account, or the issuers thereof, become subject. In addition, ProfitScore is not obligated to initiate or pursue any legal proceedings, including without limitation, shareholder litigation, on behalf of a client's account, including with respect to transactions, securities or other investments held or previously held, in the client's account or the issuers thereof.

- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact ProfitScore to discuss any questions they may have with a particular solicitation.

#### **Item 18            Financial Information**

- A. ProfitScore does not solicit fees of more than \$1,200, per individual client, six months or more in advance.
- B. ProfitScore is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. ProfitScore has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: ProfitScore's Chief Compliance Officer, Michael Mann, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**