

# ProfitScore Capital Management, Inc.

SEC File Number: 801 – 70342

## **ADV Part 2A, Firm Brochure** **Dated: March 31, 2022**

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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.

UNDER 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, 2021.

**COVID-19 supplement:** It seems appropriate to provide assurance ProfitScore’s ongoing operations concerning COVID-19. Since ProfitScore plans for headquarters infrastructure loss as a routine part of operational continuity, employees frequently work from home or on business and personal travel. Sheltering in place and performing normal functions from alternate locations required no special preparation. The headquarters remains available and accessible with CDC recommended supplies, and employees are limiting their exposure and working a significant portion of time at home. ProfitScore anticipates returning to normal headquarters operations as immunization programs have reached employees and have achieved broad coverage in the United States.

**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.

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

- A. ProfitScore Capital Management, Inc. (“ProfitScore”) is a corporation formed on April 30, 1998, in Idaho. ProfitScore registered as an investment adviser in 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 RIAs, and discretionary asset management for separately managed client accounts. ProfitScore’s sub-advisory and index consulting activities account for most 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. ProfitScore charges the investment adviser for its sub-advisory services when engaged in a sub-advisory capacity.

As a sub-adviser, ProfitScore has discretionary authority for the ongoing management of assets. The unaffiliated investment advisers are responsible for the initial and ongoing day-to-day relationship with the underlying investor, including the initial and ongoing determination of the investor’s suitability for ProfitScore’s investment strategies. Suppose the unaffiliated investment adviser determines the custodian/broker-dealer. In that case, ProfitScore will be unable to negotiate commissions or transaction costs and, as a result, will not be responsible for seeking the 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 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 uses these securities to hedge against risks, provide returns in declining markets, and enhance returns in upward trending markets. There can be no assurance that these strategies will be profitable or successful. Considering these enhanced risks, a client may direct ProfitScore, in writing, not to employ any or all these strategies for their accounts.

#### **PROFITSCORE 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, ProfitScore may recommend that certain advisory clients invest in the investment companies and 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 invest 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 regarding these arrangements and the potential conflict of interest they may 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 after that 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. 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 benefit from ProfitScore's initial and ongoing investment advisory services.

**Client Obligations.** In performing its services, ProfitScore is expressly authorized to rely on information received from the client or the client's other professionals without further verification. Moreover, each client is advised that it remains their responsibility to promptly notify ProfitScore if there is any change in their financial situation or investment objectives, suggesting the need for ProfitScore to review, evaluate, or revise ProfitScore's previous recommendations and services.

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

- C. ProfitScore provides investment advisory services specific to the needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). After that, ProfitScore will allocate 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 Dec 31, 2022, ProfitScore had approximately \$110,000,000 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, 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 market upswings. 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 to calculate 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 invest 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 potential conflict of interest.

**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 ProfitScore’s investment advisory fee and directly remit that management fee to ProfitScore in compliance with regulatory procedures. In the limited circumstance that ProfitScore bills the client directly, payment is due upon receipt of ProfitScore’s invoice. ProfitScore has custodians deduct fees or bills clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.

**C. Custodians**

Institutional Clients select a custodian, and ProfitScore must agree to that selection. Custodial fees are disclosed in the custodial agreements with the institutional clients.

Individual Client Account Custodian:

ProfitScore generally recommends AXOS Advisor Services as the custodian. AXOS may charge fees for certain securities transactions (i.e., transaction fees for certain no-load mutual funds and exchange-traded products, commissions 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, AXOS Annual Custody Fees, which are prorated and paid quarterly:

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, such as AXOS allow 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 arrangement may allow unlimited trading without commissions or transaction fees assessment. Since many ProfitScore strategies trade frequently, ProfitScore believes that its clients may benefit from an asset-based pricing arrangement.

Transaction-based pricing arrangements assess separate commissions and transaction fees for certain account transactions. ProfitScore does not receive any portion of asset-based transaction fees if the client selects transaction-based pricing. The client can request 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 associated with ProfitScore strategies. Given 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.

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, the dollar amount of support to be managed, related accounts, account composition, negotiations with client, etc.).

The *Investment Advisory Agreement* between ProfitScore and the client will continue until terminated by either party by written notice by the terms of the *Investment Advisory Agreement*. Upon termination of client advisory services, ProfitScore shall refund the prorated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

E. Except for ProfitScore Indexes, neither ProfitScore nor its representatives accept compensation for selling 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 includes 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 its services but charges performance-based fees for specific clients (generally managed futures strategy clients). As a result, ProfitScore has an incentive to favor accounts with performance-based fee relationships, for if they perform better, ProfitScore receives more fees. ProfitScore also has an incentive to offer investments that it believes will be more profitable than other investments to the accounts subject to performance-based fee relationships. However, accounts that pay performance-based fees generally follow different strategies and invest in different investment products—mainly managed futures. Notwithstanding, ProfitScore seeks to address these potential 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 on the same day.

**Please Note Investment Risk.** Different types of investments involve varying degrees of risk. It should not be assumed that any specific investment or strategy (including the investments and strategies recommended or undertaken by ProfitScore) will achieve any past performance level(s).

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

However, every method of analysis has its inherent risks. ProfitScore must access current/new information to perform an accurate market analysis. ProfitScore has no control over the dissemination rate of market information; therefore, unbeknownst to ProfitScore, specific studies 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 profitable investment opportunities.

Every investment strategy has its inherent risks and limitations. For example, longer-term investment strategies generally require more extended investment periods to allow for the strategy to develop. Shorter-term investment strategies generally need shorter development periods but may incur higher transactional costs than a longer-term investment strategy because of more frequent trading. Trading, an investment strategy that requires the purchase and sale of securities within thirty (30) days, involves short investment periods and may, depending on the instrument traded, incur higher transaction costs when compared to a mid-term or 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. To meet its fiduciary duties to all its clients, ProfitScore seeks to allocate investment opportunities among all clients fairly and equitably. 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 investment subdivisions of variable investment products or futures in managed futures accounts. Selection is made using ProfitScore's proprietary asset management programs, moving client investments among different assets by the investment objective(s) of programs selected by the clients

ProfitScore's proprietary programs have been designed to comply with 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 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 establishes a standard of business conduct for all ProfitScore's Representatives based upon fundamental principles of openness, integrity, honesty, and trust, a copy of which is available upon request.

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 by Section 204A of the Investment Advisers Act of 1940,

- 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 or representatives of ProfitScore may buy or sell securities that are also recommended to clients. This practice may create a situation where ProfitScore or representatives of ProfitScore can materially benefit from selling or purchasing those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a method whereby the owner of shares of 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 before those of ProfitScore's clients), and other potentially abusive practices.

ProfitScore has a personal securities transaction guidance in its ethics policies to prevent such abusive practices and monitor the private securities transactions and holdings of ProfitScore's "Access Persons." ProfitScore's securities transaction policy requires that an Access Person of ProfitScore must provide the Chief Compliance Officer or their 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 their designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period on a date ProfitScore selects.

**Item 12 Brokerage Practices**

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

Individual Client Accounts - ProfitScore generally recommends maintaining investment management accounts at *AXOS Advisor Services*. Before 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.

In recommending *AXOS* (or any other custodian to clients), ProfitScore considers factors including the historical relationship with ProfitScore, financial strength, reputation, execution capabilities, pricing, and service. Although the commissions and 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 make 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, considering the full range of a broker-dealer's services, including the value of execution capability and 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 met if securities 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 use the services of a particular broker-dealer/custodian, ProfitScore may receive from AXOS (or another broker-dealer/custodian, investment platform, unaffiliated investment manager, vendor, unaffiliated product/fund sponsor, or vendor) without cost (or at a discount) support services or products, some of which assist ProfitScore to better monitor and service client accounts maintained at such institutions. The scope of support services provided to advisers by custodians may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and practice management-related publications, consulting services, attendance at conferences, meetings, and other educational or social events, marketing support, computer hardware or software or other products used in support of adviser operations.

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

ProfitScore makes no corresponding commitment to AXOS or any other entity to invest any specific amount or percentage of client assets at the custodian or in specific mutual funds, securities, or other investment products.

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 negotiates terms for their account with that broker-dealer, ProfitScore not seeking better execution services or prices from other broker-dealers or being able to "batch" the client's transactions for execution through other broker-dealers with orders for different accounts managed by ProfitScore. As a result, a client may pay higher commissions or transaction costs or greater spreads or receive less favorable net prices on transactions for the account than would otherwise be the case.

Please Note: If 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. Trades 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 a client or prospective client may have regarding the above arrangement.

- B. Transactions for individual client accounts are aggregated using AXOS's Liberty technology. With this technology, trades for all clients invested in the same model are placed simultaneously and receive the same average execution price. ProfitScore does not receive any additional compensation or remuneration because 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 when indicated by ProfitScore's Principal, John M. McClure, or ProfitScore's representatives. All investment supervisory clients are advised that it remains their responsibility to notify ProfitScore of any investment objectives or financial situation changes. 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 financial situations, market corrections, and client requests.
- C. Clients receive periodic account statements and confirmations from their broker-dealer(s) or custodian. In addition, ProfitScore may provide additional reports at the client's request.

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

- A. As referenced in Item 12.A.1 above, ProfitScore receives an economic benefit of support services from AXOS without cost (or at a discount). ProfitScore makes no corresponding commitment to AXOS or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities, or other investment products due to 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 by 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 their 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 debited by the custodian every quarter. Clients receive periodic account statements and confirmations from their broker-dealer(s) or custodian. In addition, ProfitScore may provide additional reports at the client's request.

Please Note: To the extent that ProfitScore provides clients with periodic account statements or reports, the client is urged to compare any information supplied 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. Before ProfitScore assumes 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, 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 securities purchased for their account, excluding the ability to buy 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 how 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 types of events regarding the client's investment assets.

ProfitScore will not be responsible, and each client has the right and responsibility to take any actions concerning 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 concerning 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 concerning 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 concerning 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 with a solicitation.

**Item 18            Financial Information**

- A. ProfitScore does not solicit fees of more than \$1,200, six months or more in advance per individual client.
- 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 a client or prospective client may have regarding the above disclosures and arrangements.**