

# Scott Conyers Capital Management

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## Disclosure Brochure March 2010

This report contains information about Scott Conyers Capital Management, Inc., its investment style and operations. It relates the information contained in the SEC's Form ADV, Part II, referred to in our Investment Advisory Agreement. It comes to you as our client-manager relationship commences, and is offered to you soon after each year-end as required by the Investment Advisers Act of 1940.

Scott Conyers Capital Management, Inc. was formed in 1991 solely for the purpose of managing the long-term investments of individuals, trusts, foundations, and retirement plans. Clients have their own accounts, typically at the Charles Schwab brokerage firm. Scott Conyers Capital Management manages the assets in the accounts through a limited power of attorney, but does not have the ability to move assets or cash out of the account, except for payment of management fees. The firm's investment style is "conservative growth" and revolves around an analytical understanding of companies' products, managements and strategies, combined with an analysis of the relationship between the market's and an objective intrinsic valuation of the shares.

The firm's sole source of income is a fee of a percent of assets under management. The assets are figured for all of a client's accounts taken together, and the rate is 1% for the first \$1 million of equities, .75% for the next million and .5% for everything over \$2 million, and half those rates for bonds (all annual rates), payable after the end of each quarter based on the average of the month-end portfolio values for the quarter. Clients with managed assets greater than \$20 million typically negotiate fees and may adopt performance-based fees (a potential manager/client conflict exists when some clients have performance-based fees and others don't). While no explicit minimum account size exists, accounts are accepted if their size, from additions and capital growth, has the potential to exceed \$1 million in approximately five years.

The client/manager relationship can be terminated by either party with 30 days' notice. If the client terminates the relationship, all activity in the affected accounts will cease unless the manager obtains client permission for each specific transaction.

Client assets are managed under the framework of the manager's risk and return profile and the client's objectives, and legal, tax and any other constraints. This is reviewed periodically and changes are made as circumstances require. Each client's assets are individually managed and clients receive a monthly summary accounting of all holdings and changes during the month, and then quarterly reports including asset cost bases, current value, percent and absolute change in value, dividend yield, and P/E ratio. These reports also analyze the portfolio's make-up, and its performance over time.

Clients also receive periodic letters discussing items of interest on the economy, the stock market and their holdings, and year-end tax information for taxable accounts.

Because of its focus on growth, the firm's investment strategy is primarily equity based, but other investments such as money market funds, corporate bonds, and government and municipal securities may be used. The fixed-income strategy is conservative and helps to dampen equity portfolio volatility. Some foreign securities are purchased, and mutual funds are usually not purchased because of the fund management fee being taken out of the client's account in addition to this firm's management fee. Investment turnover (percentage of the portfolio sold and reinvested each year) is usually 15% or less, resulting in tax-efficient investment returns, although returns are reported to clients only on a pretax basis.

Decisions to purchase or sell individual securities, and the size of transactions, are generally at the discretion of the portfolio manager, but are limited by their appropriateness for the client, client legal constraints and preferences, and principles of proper diversification. In the unusual case of a trade away from the custodian of an account, the broker used and commission rates paid are at the discretion of the portfolio manager. No higher-than-minimum commissions ("soft dollars") are paid for any service other than those which directly benefit the client (client statements, research reports and some investment-management educational programs and literature) and are usually a result of clients' request to have a higher-cost custodian other than Charles Schwab & Co., which charges very low commissions and few other fees. The manager, using firm funds, pays for all research and investment management software other than the brokerage-supplied services just discussed.

The portfolio manager may purchase securities for clients already owned by the firm, its employees or other clients, although this typically only happens with a new client relationship. Employees and their families often invest in securities along with clients, although they buy and sell either after all clients have done so or in the same block trade, receiving the same average price. When trades take more than one day to accomplish, daily trades are allocated with the understanding that commissions are typically flat fees so that, especially for smaller accounts, whole-position allocations are the fairest way to allocate trades. The manager has a Code of Ethics as part of its Compliance Manual that discusses fiduciary duties, compliance with laws and regulations, uses of nonpublic financial information, priority of transactions (discussed above), nondisclosure of client identities, gifts to or from clients or potential clients, outside activities such as serving on boards or the making of political contributions, and aspects of the CFA Institute's Asset Manager Code of Professional Conduct. The manager's code of ethics is available to clients or prospective clients upon request.

Conflicts of interest are avoided, but besides the potential conflict involving possible return-based fees for some larger clients, another exists in that management fees for bond investments are half those of equities and uninvested cash. Balancing this conflict is the fiduciary duty of a manager to take actions only in the best interests of the client; there have been times when it was beneficial to be heavily invested in bonds, and clients were so invested.

As a service to clients, proxy voting is done by the manager and vote decisions are made so as to be to the benefit of the client; for example, corporate reorganizations or acquisitions, abusive management or employee pay schemes and other activities seen by the manager as detrimental to the long-term value of clients' holdings will be voted against.

Scott Conyers, born in 1957, formed this firm in 1991. He acquired management analysis, strategic planning and company valuation skills while at the Wharton School of Finance of the University of Pennsylvania, from which he earned an MBA in 1983. Prior to graduate school, Scott received a Civil Engineering degree with honors from Oregon State University in 1979.

Mr. Conyers is a past president of the CFA Society of Portland, and served as a member of its board of directors for eleven years. He also serves on the board of directors of the Portland chapter of the Stanford Graduate School of Business Alumni Association, teaches upper-level finance classes at Portland State University from time to time and is a member of the Rotary Club of Portland. He earned the Chartered Financial Analyst designation in 1989 and is a member of the CFA Institute.

As part of a business-continuity and emergency plan, the firm has Laura Forbes, CFA, aka Laura Pitts, born 1961, who has a similar investment style and can get up to speed maintaining portfolios or assisting clients find a new manager if needed. She has a BA with honors from the School of Business, University of Oregon in 1983 and prior to leaving in 2004 to raise children worked for 15 years with US Bank as Senior Portfolio Manager in the Trust Department.

Scott Conyers Capital Management, Inc. is a registered investment adviser with the United States Securities and Exchange Commission.