

Scott Conyers Capital Management

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This report contains information about Scott Conyers Capital Management, Inc., its investment style, operations and potential conflicts of interest. It relates the information contained in the SEC's Form ADV, Part II, referred to in our Investment Advisory Agreement and appears here in specific separate sections to conform to the presentation required by the SEC. It is delivered to you at the commencement of our client-manager relationship, and is offered to you soon after each year-end as required by the Investment Advisers Act of 1940. You can access this information, as well as my entire annual filing with the SEC, on the adviserinfo.sec.gov website. The firm's website, which doubles as a marketing brochure, is available at: conyerscapitalmanagement.com

Scott Conyers Capital Management is a Registered Investment Advisor with the Securities and Exchange Commission and, while this disclosure brochure is filed with the Commission, registration with the SEC does not imply that they or any other regulatory agency has approved this brochure, nor does it necessarily imply a certain level of skill or training of the firm's personnel, much as a driver's license has limited driving-skill implications.

2. Material Changes – there have been no material changes in the firm as outlined in this Brochure, nor have there been for several years running.

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4. Advisory Business – Scott Conyers Capital Management, owned in toto by Scott Conyers, was formed in 1991 for the purpose of managing the long-term investments of individuals, trusts, foundations, and retirement accounts. At the end of 2018 the firm managed \$115 million of client assets. Clients have their own accounts, typically at the Charles Schwab & Co. 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, discussed in the next section as well as in section 15. 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 securities, this last attribute being the hallmark of a proper value investing strategy. Most client portfolios have a similar composition but clients may request special investment restrictions or additions to apply to their own accounts.

5. Fees and Compensation – The firm's only 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 plus uninvested cash, .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. These fees are usually deducted from one or more of a client's accounts but clients may choose to pay them separately. Clients with more than \$20 million under management by the firm may choose to negotiate fees so as to be performance based.

A conflict of interest exists in this fee schedule in that the firm earns twice as much for stock investments as for bonds. I can only say that the firm's fiduciary responsibility and ethos always puts clients' interests first. An example of this in action, going into the 2008 market/economic debacle clients had huge bond allocations, which earned the firm less in fees but served clients very well. On the other hand, in 2012-18, with interest rates having nowhere to go but up, which is bad for bonds, they owned a large percentage of stocks and at times held relatively large cash positions. Clients' accounts are also assessed brokerage commissions when trading occurs, but portfolio turnover is almost always less than 15% per year and commissions are very low these days; the firm does not share in these commissions like a traditional stockbroker would. If mutual funds or exchange-traded funds (ETFs) are used, which is usually only for investments for which the firm has

limited expertise, such as foreign investments, they charge management fees of their own. Similarly, money market funds, where our uninvested cash generally resides, charge management fees on top of the firm's fees. Cash is counted for performance measurement and fee-calculation purposes as an equity because it represents an equity-investment allocation decision. Even if the client decides to have fees deducted from one or more managed account, a billing statement detailing how fees are calculated and paid is sent immediately after each quarter.

6. Performance-Based Fees – Clients with managed assets greater than \$20 million sometimes negotiate fees so as to be performance based. A potential manager/client conflict of interest exists when some clients have performance-based fees and others don't on the theory that better investments will be given to performance-fee clients. How the manager manages this conflict is discussed in Part 11, Ethics, through the firm's allocation-of-trades process.

7. Types of Clients – 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. Client types are characterized in section 4.

8. Methods of Analysis, Investment Strategies and Risk of Loss – 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 intended primarily to dampen equity portfolio volatility. Some foreign securities are purchased, and mutual funds and ETFs 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. Low investment turnover (percentage of the portfolio sold and reinvested each year) results in tax-efficient investment returns, although portfolio investment returns are reported to clients only on a pretax basis.

The equity strategy can be described as “value investing” in that an estimate of the intrinsic value of a company is figured before an investment is made, and recalculated regularly to guide the sale process. This limits the risk inherent in running a momentum or growth strategy because a foundation of some solidity lies under the value of the shares. There remains a material chance of loss on investments made via this investment strategy and share prices certainly can and do fall below a rational intrinsic valuation, but at least there is less blue sky in a stock price via value investing than with other strategies. Typically when the markets are ebullient, our approach doesn't keep up, but when bubbles pop or some other despondency sets in we don't fall as much as others, and sometimes go up.

Investing is a risky undertaking and there are no stated or implied guarantees of future returns or even preservation of principal. Risks come in the economic and stock market sorts, but also there is exchange rate risk when investing in foreign companies and when

investing in mutual funds or ETFs, which happens when we want exposure to an asset class that is difficult to analyze, value (for example, foreign companies), or are difficult to buy or sell efficiently (often the case with bonds), the risk of not completely understanding the underlying investments is material. Even money market funds, in which uninvested cash is sometimes held, can in turn be invested by the manager of the fund in what may turn out to be risky assets, and are not guaranteed investments like a bank account or certificate of deposit.

9. Disciplinary Information – Scott Conyers Capital Management or its employees have never filed for bankruptcy or been subjects of investigations, legal or criminal actions, or disciplinary issues by any government entity, self-regulatory organization or individual.

10. Other Financial Industry Activities and Affiliations – Firm employees have no relationships, financial or otherwise, with other financial industry participants except in that, as client assets are held at Charles Schwab & Co, information and services flow between that firm and this one. Potential conflicts of interest probably exist in this relationship, but any benefit received by the manager is always checked to make sure it's ultimately to the benefit of the client (for example, invitations to the annual Schwab golf tournament or Christmas party, which don't benefit the client, are politely declined).

11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – Client transactions are not participated in (no commissions, no 12b-1 fees where mutual funds kick some of the client's fee back to the manager, no investing in pooled assets for which the manager is an advisor). Investments are sometimes purchased for clients that are already owned by the firm's employees or other clients, although this typically only happens with a new client relationship. Employees and their families often/usually 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.

A trickier issue arises when it is not possible to purchase or sell an entire position in one day and a partial block must be allocated to client accounts – specifically, who gets each day's allocation? The natural premise here is that earlier is better, but as value investors often buying stocks that have fallen or are falling, I can say that, as often as not, the last ones in are the ones that get a slightly better 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's Code of Ethics as part of its Compliance Manual 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 applicable aspects of the CFA Institute's Asset Manager Code of Professional Conduct. The complete description of this process, as well as the firm's entire code of ethics is available upon request.

12. Brokerage Practices – Via Charles Schwab’s trading platform, purchases and sales of individual securities are made in a master account throughout a trading session and the average price is given to all clients participating in that day’s trade. In the unlucky but common circumstance of all shares not being bought or sold in one day, earlier trades are allocated to clients, for a purchase, who do not yet own the shares or are significantly underweighted. While this approach is a loose one, because commissions are a flat fee regardless of trade size for a particular account, it is more fair than giving each client account a pro rata allocation each day the security is bought or sold, which might, as an extreme example, result in four trades, each with their own flat commission, to accumulate a 100 share position. In this manner it is attempted to make trade allocations fair for every client.

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 (custodial client statements, research reports and some investment-management educational programs and literature) and are usually a result of clients' request to have a custodian other than Charles Schwab & Co., which charges very low commissions and few other fees and provides excellent service for both the manager, through its trading and account management technology, and the client. The manager, using firm funds, pays for all research and investment management software and products other than the brokerage-supplied services discussed just above. Other account custodians are periodically reviewed and compared with Schwab.

13. Review of Accounts and Reporting – Client assets are managed under the framework of the manager's strategy’s risk and return profile and the client’s objectives, and legal, tax and any other constraints. This is reviewed whenever the client informs the manager of changes in situation and cash flow needs, and changes are made as circumstances require. Investment decisions are generally made and implemented firm-wide. Each client's accounts are individually managed – specifically, there is no pooling of assets into common investment funds – and clients receive a monthly summary accounting of all holdings and changes during the month, and 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 time-weighted performance over several time periods, gross and net of fees. Often for clients with multiple accounts each individual account may not be fully diversified, but the entire portfolio is meant to be diversified when all accounts are taken together.

14. Client Referrals and Other Compensation – The firm’s sole source of compensation is the quarterly investment management fee, discussed in Item 5. It pays no referral fees to “asset gatherers” or any other marketing person or entity.

15. Custody of Client Assets – Charles Schwab is the custodian of accounts and renders its own monthly reports to clients. The manager’s statements should match the

custodian's closely and clients are urged to make this comparison. The separation of management and custody is important, as Bernie Madoff and others have perpetrated scams relatively easily because they filled both the manager and custodial roles. Sometimes managers are deemed to have custody of client assets if they are paid fees in advance, are trustees of client accounts, have the authority to move assets out of the account, and certain other situations, none of which apply with our client-manager relationship. The firm does have access to client assets after the end of each quarter when it deducts fees directly from client accounts. A fee statement is sent at this point each quarter explaining the fee calculation and urging clients to check not only the calculation but also the subsequent custodial statement to assure that the proper amount was deducted.

16. Investment Discretion – Through the Limited Power of Attorney signed by the client, the firm has investment authority on accounts managed, meaning the manager can direct the investment of assets, but cannot cause withdrawals to occur (although the firm often assists clients with this). 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, the fit with the firm's investment philosophy, client legal constraints and preferences, and principles of proper diversification.

17. Voting Client Securities – As a service to clients, proxy voting is done by the manager and vote decisions are made so as to be to the long-term benefit of the client; for example, some 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. Clients may request of the manager that their shares be voted in a certain way for particular companies, and may request of the manager the way votes were cast as well as for a copy of the firm's proxy voting policies (which are pretty much stated just above). In the unlikely event of a conflict of interest between the manager and the client in a proxy vote, the manager will ask the client for instructions on how to vote their shares.

18. Financial Information – Neither the firm nor its personnel have financial conditions or events on the horizon likely to impair the manager's ability to meet contractual commitments to clients.

19. Relationship Termination – 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.

20. Personnel – 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, has taught upper-level finance classes at Portland State University from time to time and is a member of the Rotary Club of Portland where he is the club song leader. He earned the Chartered Financial Analyst designation, requiring passage of three rigorous day-long tests pertaining to asset management and security analysis, in 1989, and is a member of the CFA Institute, which is a source of excellent continuing education material and conferences. Mr. Conyers has no other business interests which require more than 10% of his time.