

Mengis

CAPITAL MANAGEMENT INC.

Mengis Capital Management, Inc.

Form ADV Part 2A – Disclosure Brochure

February 13, 2024

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This brochure provides information about the qualifications and business practices of Mengis Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at telephone numbers above or at jeff@mengiscapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about Mengis Capital Management, Inc. also is available at the SEC's website www.adviserinfo.sec.gov.

We are a registered investment adviser with the Securities and Exchange Commission. Our registration as an Investment Adviser does not imply any level of skill or training.

Item 2 – Material Changes

The following is a summary of material changes that were made to the Mengis Capital Management, Inc. Investment Adviser Firm Brochure (Form ADV Part 2A) in the most recent revision dated March 10, 2023. Full details are outlined in the Firm Brochure, which is available upon request. Please contact our office for a free copy by phone at 877-916-0780 (toll free) or by email to cindy@mengiscapital.com. The Brochure is also available on our website www.mengiscapital.com.

- We have updated the amounts of assets under the Firm's management, discretionary and nondiscretionary, as of December 31, 2023, to reflect a total of \$819,381,174.
- No other material changes to report.

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Item 4 – Advisory Business

Our Firm

Our firm, Mengis Capital Management, Inc. ("we," "us" or "our firm"), is an independent investment advisory firm registered with the SEC. Located in Portland, Oregon, we have been providing investment advisory services since Jeff Mengis founded our firm in 2001. Mr. Mengis and Mr. Michael Patterson are the firm's shareholders.

Our Services

We offer professional, full-time management of clients' assets. We provide investment management for individuals, retirement funds, corporations, trusts and endowments. Our firm may also serve as a subadviser to other advisory firms and assist them in managing their clients' assets although Mengis does not currently have any of those engagements as of the date hereof.

We specialize in management of individual equity and income portfolios. We often use mutual funds and exchanged traded funds (ETFs) to complement our client portfolios.

Individual Equities. We seek out and invest in companies with strong quantitative and qualitative characteristics which, in our judgment, offer value and long-term performance potential to their shareholders. We also take into account relevant market conditions. We build equity portfolios one company at a time. Our client's equity portfolios are highly customized, and the number of positions in each portfolio will vary for each client.

Income Portfolios. After assessing each client's income needs and risk tolerance, we assemble a customized income portfolio with core positions in either government, municipal, or corporate income securities. Where we think it may be appropriate, we use positions in specific asset classes that complement and diversify our holdings, such as preferred stock, high-yield bonds, global income, Treasury Inflation-Protected Securities, real estate investment trusts ("REITs") and alternative investments.

Mutual Funds; ETFs. Where suitable, we may invest all or a portion of your assets in open- or closed-end mutual funds and/or ETFs (collectively, "Funds") to give you access to additional asset classes. We believe that Funds can play an important role in portfolio composition. Funds can provide diversification and focused research analysis in areas such as small capitalization, mid-capitalization, emerging and foreign markets, high-yield, real estate and socially responsible strategies. In evaluating Funds for our clients, we focus on investment processes, performance against peers and benchmarks, performance in different market cycles, manager turnover, risk characteristics, tax efficiencies (when applicable) and expenses. We have access to management tools that aid in identifying portfolio diversification and overlap. These reports break down individual holdings, allowing us to analyze each Fund's composition.

Tailoring To Clients' Needs

We tailor portfolios to meet individual needs of our clients. During the client intake process, we inquire into their financial circumstances and determine their investment objectives, risk tolerance, investment time horizons and any restrictions they want to place on the types of securities to be purchased for any of their accounts. In addition, after our initial meeting with each new client, we develop an Investment Policy Statement for that client. We review each client's Investment Policy Statement at least annually and update it, if necessary, to reflect any changes in their financial circumstances. Our clients bear the responsibility of keeping us informed of any subsequent changes so that we can continuously manage their assets in the manner suitable to their needs and objectives.

Although we generally have a broad discretionary authority over client assets, clients may impose restrictions on investing in certain securities or types of securities in the Investment Policy Statement or through any formal or informal communication to us. In those cases, we exercise our discretionary authority consistently with the clients' instructions and obtain the clients' approval before each transaction that may be inconsistent with those instructions.

Wrap Fee Programs

We currently do not participate in wrap fee programs.

Assets Under Management

As of December 31, 2023, the amount of client assets managed by us on a discretionary basis was \$778,542,977, and the amount of client assets we managed on a non-discretionary basis was \$40,838,198.

Item 5 – Fees and Compensation

Our Fees

We charge our clients advisory fees calculated as a percentage of the market value of the assets in their household accounts, without adjustment for any margin debt. All fees are specified in your advisory agreement with us.

The standard fee schedule for discretionary managed accounts is as follows:

- 1.00% on the first \$2,000,000, plus
- 0.85% on the next \$3,000,000, plus
- 0.70% on the next \$5,000,000, plus
- 0.50% on the next \$20,000,000, plus
- 0.30% on the amount over \$30,000,000.

If a client requests services beyond our standard investment advisory services (for example, financial planning services or client driven account management), we may charge the client for

such services at an hourly rate, based on the services requested and the person providing the additional services. For clients that invest specifically in treasuries, those fees are separately negotiated but will in no event exceed the standard fee schedule set forth above.

Fees may vary and are negotiable, but will not exceed, the rates set out in the standard schedule based on the type and size of the account, the range of additional services provided to the client, and the total amount of assets managed for a group of related clients.

For nondiscretionary client accounts, fees are negotiable depending on the level of service provided to the client, heightened compliance oversight and management of the account, and the types of investments requested by the client. Fees for such accounts may exceed the maximum fee stated in the above schedule.

Billing and Payment

Fees are paid quarterly in advance. Generally, fees for a particular quarter are deducted from the clients' accounts on the first business day of each quarter based on the value of assets in the account as of the close of business on the last business day of the preceding quarter. We send clients their account reports showing the balance as of the last day of each quarter and the advisory fees charged for that quarter.

If you do not have enough cash in your account to pay our fee, we may liquidate some of your account assets to pay the advisory fee.

Expenses

In addition to our advisory fees, clients are responsible for certain other fees and expenses as follows:

Mutual Funds; ETFs. We may exercise our discretion to invest a portion of client assets in Funds. In our judgment, investment in Funds offer diversified investment opportunities due to greater diversification, and/or focused research analysis in areas such as emerging growth, foreign markets and higher- yield investments. If we conclude that Funds are appropriate additions to a client's portfolio, such investments may increase the cost to the client. In addition to our fee, the client may incur a commission or transaction fee when the Funds are purchased and will incur an annual management fee by the manager of the Funds. We do not receive any part of such fees. These fees and expenses are described in each Fund's prospectus, and generally include a management fee, other related expenses, and a possible distribution fee. When considering an investment in a Fund, we always evaluate the relative annual costs as a part of the decision.

A client could invest in a Fund directly, without our involvement. In that case, the client would not receive the benefit of our services, which include, among other things, identifying the Funds, if any, that are most appropriate to that client's financial condition and objectives and continuous monitoring of market conditions. Accordingly, clients should review the fees charged by the Fund, and our fees, to fully understand the total amount of fees to be paid and to evaluate the advisory services being provided. In addition, Mengis may receive a lower institutional rate than is available to a retail investor.

Brokerage. We may enter into an agreement with a broker-dealer, which would provide research to us in exchange for us executing certain trades through that broker-dealer. If client assets are not custodied with that broker-dealer, clients may pay the broker-dealer a brokerage commission and may also pay the custodian a separate fee. See Item 12 below for a detailed discussion of brokerage commissions. We place equity and fixed income transactions with Charles Schwab & Co., Inc., an independent and unaffiliated broker-dealer ("Schwab"), unless otherwise directed by client. We acknowledge our duty to seek best execution of trades for our clients and, consistent with that duty, use other brokers from time to time. Research received pursuant to any such arrangement is expected to benefit all of our clients.

Custodians. We require each client to have a third-party custodial relationship. The custodian will charge its own fee separate from our advisory fee in the form of (1) order routing that may affect pricing, (2) commissions, or (3) for clearance and settlement of trades that are executed through broker-dealers other than through the custodian.

Prepayment and Refunds

As our fees are deducted quarterly in advance, we make pro rata fee adjustments for additional assets placed in an account in excess of \$50,000 during a quarter. No fee adjustments are made for partial withdrawals or for account appreciation or depreciation within a billing period.

If your agreement with us begins during a quarter, we will prorate the fee you pay for the initial partial quarter, based on the number of days from the beginning of your agreement until the end of the initial quarter. Our client agreement may be terminated with a written notice by either you or us. If your agreement terminates during a quarter, we will refund a pro rata portion of the fee you paid for that quarter, based on the number of days between the termination date and the end of the quarter.

Sales Charges or Fees

We do not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

Item 6 – Performance-Based Fees and Side-By-Side Management

We do not charge or accept any performance-based fees.

Item 7 – Types of Clients

We provide investment advice to individuals, high net worth individuals, pension plans, charitable organizations and corporations/other businesses. Before entering into an advisory relationship with a client, we generally require that accounts under our management have a minimum aggregate value of \$500,000. The values in the accounts beneficially owned by related person(s) and/or

entities (such as, accounts held by husband and wife individually, by their IRAs and trust(s) for the benefit of their children) are aggregated for purposes of the minimum balance requirement, and fee apportionment. In addition, we may waive these requirements under certain circumstances.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies

In formulating our investment advice and managing client assets we use fundamental and technical methods of analysis. Fundamental analysis involves the review of companies' "fundamentals" (balance sheet, cash flow and income statements, etc.), as well as other factors that can affect the value and price of these companies' stock. Taking into account macro and micro economic climate and applicable industry conditions, we seek out companies that meet one or more of the following criteria:

- have compelling business models;
- have solid business fundamentals with potential for long-term enhancements;
- operate in industries with future growth opportunities and present profitable operations;
- have strong management team committed to increasing shareholder value; or
- have attractive valuations.

We also use a "technical" method to evaluate securities. This means we analyze statistics generated by market activity, such as past prices and volume. This method of analysis does not seek to measure a security's intrinsic value, but seeks rather to use charts to identify patterns that can suggest future activity.

Our investment strategies include long-term purchase and short-term purchases. In trading individual equities, we generally purchase for long-term investment (at least one year). We prefer to hold a particular equity for as long as the original reasons for selecting that equity remains sound. However, we may sell all or a portion of your position in that equity in less than a year under the following circumstances:

- if there is a change in the original thesis for selecting the equity, such as a deterioration or change in the firm's fundamentals;
- if proceeds are needed for a more compelling opportunity;
- if our target price has been met and the security is no longer attractive from a valuation perspective;
- for tax efficiency reasons; or
- to rebalance the client's total portfolio.

Risks For Methods of Analysis and Strategies

Investing in securities involves risk of loss that clients should be prepared to bear. The following risks affect the value of the investments managed by Mengis:

Equity Securities. In addition to the general market and investment risks, these securities face risks such as:

- Small and Mid-Cap Company Risks – Investments in small and mid-cap companies may be riskier than investments in larger, more established companies. The securities of these companies may trade less frequently and in smaller volumes than securities of larger companies. In addition, small and mid-cap companies may be more vulnerable to economic, market and industry changes. Because smaller companies may have limited product lines, markets or financial resources, or may depend on a few key employees, they may be more susceptible to particular economic events or competitive factors than larger-capitalized companies.
- Large-Cap Company Risk – Similar to other asset classes, there is a risk that returns from large-cap stocks will trail returns from the overall stock market. Large-cap stocks tend to go through cycles of doing better, or worse, than the stock market in general.
- Concentration Risk – Our individual stock strategy makes focused investments in 25-50 stocks based on relative valuation to the overall market. A position may become concentrated due to appreciation. Concentrated positions may have a greater investment risk when compared to the S&P 500 index. The performance of one company or one sector can have a more significant impact on the performance of the portfolio.

Fixed-Income Securities. These securities face risks, such as:

- Interest Rate Risk – Fixed-income securities increase or decrease in value based on changes in interest rates. If rates increase, the value of income securities generally declines. On the other hand, if rates fall, the value of the fixed-income securities generally increases.
- Credit Risk – There is a risk that issuers and counterparties will not make interest and/or principal payments on the securities they issue or that their payments will not be made when due. In addition, the credit quality of securities may be lowered if an issuer's financial condition changes. Lower credit quality may lead to greater volatility in the price of a security, and that may affect liquidity and our ability to sell the security.
- Call Risk – There is a risk that falling interest rates will cause an issuer of income securities to redeem (call) its higher-yielding income securities before their maturity date forcing reinvestment at a lower rate.

Mutual Funds and ETFs. The following are various types of risks, which mutual funds as an investment vehicle inherit:

- Market Risks: The most known and common risk for any investment vehicle is market risk. Market risk is simply the possibility that the market or the economy will decline, causing individual investments to lose value regardless of the performance.
- Inflation Risks: It's the risk of losing purchasing power. In simple terms, if your mutual funds earn 5.0% per year and the cost of living goes up by 2.0%, you are just left with 3.0% as net returns from your investments. This is also known as the real rate of return.

- Concentration Risks: Concentration generally means greater exposure to specific companies or sectors. Focused positions in a company or sector can benefit an investor if they perform well or returns can suffer if the company or sector performs poorly. Diversified funds reduce the risk of underperformance due to one company or sector.
- Interest Rate Risks: This type of risk is majorly related to debt mutual funds. It deals with the risk of rising interest rates and their effects on bond prices. The commonly known inverse relation between bond prices and interest rates plays a major part here as rising interest rates cause bond prices to fall, thus reducing the capital gains created.
- Liquidity Risks: Liquidity risk refers to the difficulty to redeem an investment without incurring a loss in the value of the instrument. It can also occur when a seller is unable to find a buyer for the security. In yet another case, ETFs might suffer from liquidity risks. As you may know, ETFs can be bought and sold on the stock exchanges like shares. Sometimes, due to lack of buyers in the market, you might be unable to sell or forced to sell at a large discount when funds are needed.
- Credit Risks: Credit risk means that the issuer of the security is unable to pay what was promised as interest. If a bond issuer cannot repay a bond, it may end up being a worthless investment. Within mutual funds it's the debt categories, which directly suffer from credit risks as the fund manager might invest in instruments with lower credit ratings in order to generate superior returns.
- Lack of Control: As much as mutual funds offer the convenience of investing, investors cannot determine the exact composition of a fund's portfolio, nor can they directly influence which securities the fund manager can buy. The fund may be diversified enough but the investor has no control over the action taken by the fund manager.
- Country Risks: It's the risk due to the changes in the foreign economy where the fund has invested. Certain statutory changes or economic instability in the foreign country would affect the returns of the fund. This risk mainly affects overseas funds.

We seek to reduce these risks through diversification. However, diversification may not protect assets in a down market. Although we will exercise careful judgment and diligence in managing your assets, we cannot guarantee any level of performance or that you will not experience a loss in your assets.

As a reminder, we are not liable for: (i) any loss you suffer because of any investment decision we make or other action we take or do not take in accordance with our agreement with you; (ii) any loss you suffer because we follow your instructions; or (iii) any act or failure to act by any custodian or broker.

Item 9 – Disciplinary Information

We do not have any legal or other disciplinary item to report to you. We are obligated to disclose any disciplinary event that would be material to you when evaluating us to initiate a client/adviser relationship, or to continue a client/adviser relationship with us.

Item 10 – Other Financial Industry Activities and Affiliations

We are obligated to disclose if we, any of our "supervised persons" (meaning our employees and independent contractors), or any of our affiliates are involved in other financial industry activities, such as those of a broker-dealer, commodity pool operator or a futures commission merchant. We are also obligated to disclose if we receive compensation from other advisers for recommending or selecting those advisers for you.

We do not have any other financial industry activities or affiliations to report to you and we do not require compensation from other advisers for recommending or selecting them.

Item 11 – Code of Ethics

Mengis Capital has implemented policies and procedures to govern employees and mitigate conflicts of interest when providing services to clients. These include:

- Code of Ethics that each employee is required to review and sign an acknowledgement of receipt and understanding (upon hire and annually);
- Prohibitions on the misuse of material nonpublic information;
- Personal securities trading policies and procedures (governing not only our employee but also members of their household and other securities or brokerage accounts where they have beneficial ownership with a spouse, family member or other person)
- Employees are not allowed to:
 - Trade on inside information
 - Front-Run or trade in anticipation of client transactions
 - Trade or participate in any activity prohibited under federal or state securities laws
 - Place interests in front of clients

We strive to achieve the highest ethical and fiduciary standards (in dealing with clients, the public, vendors, prospective clients and each other). As a fiduciary, we have an affirmative duty to act with integrity, competence and care; this includes disclosing all potential and actual conflicts of interest.

It may be possible for employees to buy or sell securities for their own personal accounts that were also purchased in client accounts. To mitigate the conflict of interest in such circumstances, our Firm's policy is to require the trading of all relevant client accounts prior to or with the trading of their own accounts.

We perform services for various clients. We may give advice or take actions for our clients that differ from the advice given to other clients. The timing or nature of any action taken for all clients or other sponsors may also vary. For more information or to request a copy of our Code of Ethics, please contact our Chief Compliance Officer at cindy@mengiscapital.com.

Item 12 – Brokerage Practices

Criteria. Our management discretion includes the selection of the security, the amount to be purchased or sold, the broker or dealer to be used, and the commission rate to be paid. We select brokers on the basis of their overall assistance in terms of execution capabilities, commission rate, financial responsibility, responsiveness and research-related products and services provided to us. Commission rates paid to the broker selected by us may be higher than the lowest commission rate available. We select brokers on the basis of the quality and/or amount of services the brokers provide to us and our clients.

Research and Other Soft Dollar Benefits. Custodian/brokers provide us (and other independent investment advisers) services which include custody of securities, trade execution, clearance, and settlement of transactions. We receive some benefits from the Custodian that is more fully described in Item 14 below.

Brokerage for Client Referrals. We do not direct client transactions to a particular broker-dealer in return for client referrals.

Directed Brokerage. Clients may direct us to select specific brokerage firms or place assets with a specified broker or custodian. In some cases, this request may result in higher commissions and/or less favorable executions on some transactions than we might otherwise be able to attain. The client may forgo any benefit from savings on execution costs that we could obtain through negotiating volume discounts on block transactions. The client may direct us to use a particular broker from whom we receive or may receive referrals, and we may derive a benefit from the client's direction.

The custodians receive compensation from clients in the form of commissions or other transaction-related compensation on securities trades executed through the custodian. Custodians may also receive a fee for clearance and settlement of trades that are executed through broker-dealers. Trading on a client account may vary as to time and custodian fees on money market accounts depending on the custodian.

Aggregation and Allocation of Trades. Typically, we cause similarly situated client accounts to engage in similar trades. Thus, if we believe that a particular security is suitable for one account, we will buy the same security for the other similarly situated accounts, except for those accounts, with respect to which we were directed to make other trades (or no trades) by the clients. For example, clients may direct us to trade certain securities in their accounts at a particular price or particular time. Clients directing such trades may receive a different price for the same security that is traded for other accounts pursuant to its general advisory discretion.

Transactions of client assets are generally effected independently, unless the Portfolio Manager decides to purchase or sell the same securities for several clients at approximately the same time. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. To obtain more favorable order execution, we may aggregate contemporaneous buy or

sell orders for same securities, with applicable accounts participating in the aggregated order on a pro rata basis. Occasionally, an aggregated order may only be partially filled. Under such circumstances, the transaction generally will be allocated among the applicable clients on a pro rata basis. Exceptions to the pro rata allocation of partially filled orders may occur for several reasons, including without limitation avoidance of odd lots or de minimis numbers of shares and sensitivity toward the total transaction cost to be incurred by the client. There may be instances when partially filled orders may adversely affect the size of the position or the price paid or received by a client, as compared with the size of the position or price that the client would have received had no aggregation occurred.

The aggregation and allocation policies above apply to trades in equity and fixed income securities.

Mengis Capital has no "wrap fee" arrangement as of the date of this brochure.

Item 13 – Review of Accounts

Account Reviews

Accounts are reviewed regularly by Jeff Mengis, Cindy Aschbacher, Michael Sorem or Michael Patterson to ensure your asset allocation is consistent with your investment objectives. Account reports are updated by our in-house network system and are available to us on-line next day. These reports include the following information about each security held in the client's account: cost, current market value, income and percent of total assets. Securities are sorted by industry on the reports. Our system reconciles these records with the monthly statements received from their independent custodians, and any discrepancies are resolved promptly. Information about Messrs. Mengis, Patterson and Sorem and Ms. Aschbacher are included in the brochure supplements maintained by Mengis and available upon request.

Reports to Clients

We provide clients detailed quarterly reports, including fees and performance analysis for all billed accounts. We urge clients to compare the performance reports received from us with the account statements they receive from their custodian. The information in our reports may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities. We further ask our clients to notify us of any significant personal or financial changes and if so, to contact us to schedule a meeting to review potential policy revisions.

Item 14 – Client Referrals and Other Compensation

Benefits from Custodians

General. We receive no compensation for suggesting a particular broker or bank as your custodian. However, certain custodians provide products and services that benefit us and our client

accounts. Some of these other products and services assist us in managing and administering client accounts. These include software and other technology that:

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts)
- provide research, pricing information and other market data
- facilitate payment of our fees from our clients' accounts
- assist with back-office support, recordkeeping and client reporting
- provide allocation analysis detail on account level

Many of these services may be used to service all or a substantial number of our accounts, including accounts not maintained with that particular broker. These products and services benefit us by allowing us to more quickly and accurately service our clients.

Various brokers also make available to us other services intended to help us manage and further develop our business. These services may include:

- publications and conferences on practice management
- information technology
- business succession planning
- regulatory compliance
- marketing
- client benefit arrangements relating to contributions to charities

We may, from time-to-time, participate in conferences organized by custodians and other institutions where we learn about their investment outlook. As a result, we may invest in funds offered by those institutions. These services are not contingent upon us committing any specific amount of business to a custodian/broker in trading or assets in custody. The fact that we receive these benefits is an incentive for us to recommend the use of a particular broker/custodian rather than making such a decision based exclusively on your interest in receiving the best value in custody services and the most favorable execution of client transactions. All such investment decisions are subject to our fiduciary obligation.

In addition, brokers may make available, arrange and/or pay for the above types of services when provided to us by independent third parties. The brokers may discount or waive fees they would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to us. As a fiduciary, we seek to act in our clients' best interests. However, our recommendation that clients maintain their accounts with these brokers may be based in part on the benefit to us of these products and services, and not solely on the nature, cost or quality of custody or brokerage services these brokers provide. Although this may create a potential conflict of interest, we believe these products and services are in the best interests of our clients.

Institutional Services Programs. We participate in institutional services programs

offered to independent investment advisers by various brokers (including Schwab). We typically recommend such brokers to clients who need brokerage and custodial services. We are not affiliated with any broker.

As part of their institutional programs, brokers normally provide us with access to their institutional trading and operations services. These institutional programs generally are available to independent investment advisers, at no charge to them so long as the adviser's clients collectively maintain a specified balance of account assets with the broker. The broker services include brokerage, custody and research services, as well as access to mutual funds and other investments that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment.

These brokers generally do not charge separately for custody. They are compensated by account holders either (a) paying a quarterly fee based on a percentage of the account value, (b) paying commissions or other transaction-related fees for trades that are executed through the broker or that settle into client accounts held with the broker, or (c) other benefits derived from cash held in the account.

We generally recommend brokers providing institutional services programs to our clients for custody of client assets and for the execution of equity, mutual fund and ETF transactions. We regularly review these programs to ensure that our broker recommendations are consistent with our fiduciary duty.

Item 15 – Custody

In addition to having the ability to deduct our advisory fees from clients' accounts, we also maintain certain standing letters of authorization (SLOA) authorizing fund transfers which as a result causes us to have custody of client accounts as that is defined within the Investment Advisers Act of 1940. Pursuant to SEC guidance, Mengis intends to comply with the custody rule by annually engaging an independent accountant to perform a surprise exam for these SLOA accounts.

With respect to all of your assets in an account, they are held with a bank, registered broker-dealer or other "qualified custodian." In addition to the quarterly statements you receive from Mengis, you also receive statements directly from your custodian at least quarterly. We urge you to carefully review the custodial statements and compare them to the Mengis reports. The information in our reports may vary from your custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

Item 16 – Investment Discretion

Our authority in managing your account includes either (1) the full discretionary power to purchase, sell and exchange securities and other instruments, exercise all rights conferred on the holder of such assets, and reinvest all proceeds (discretionary authority), or (2) the power to

purchase, sell and exchange securities and other instruments, exercise all rights conferred on the holder of such assets, and reinvest all proceeds on your behalf with your instruction (non-discretionary authority). Specific authority designated by you is indicated as such in your advisory agreement.

Discretionary authority gives us the authority to exercise full discretion, except for filing claims in connection with class action settlements, as described below. In addition, we observe investment limitations and restrictions that you disclose to us through the Investment Policy Statement process or other formal or informal communications which are then recorded and maintained in updates to your Investment Policy Statement.

Item 17 – Voting Client Securities

As a provider of investment supervisory services, our firm is generally authorized to vote proxies on behalf of its clients in accordance with its Proxy Voting Policy summarized below.

We monitor corporate actions and collect proxies from the clients' custodians, determine the issues to be voted on, identify and resolve any conflicts of interest, make voting decisions, and timely submit proxies. We will resolve any conflict of interest between us and a client by obtaining the client's written consent, by obtaining a voting recommendation from an independent third party, or by voting in accordance with our pre-determined voting guidelines, under which we generally vote with a company's management on "routine" issues, such as uncontested elections of directors. With respect to "non-routine" issues, we generally vote in favor of proposals promoting director independence and employee participation (such as, establishment of stock incentive plans for employees) and against proposals inhibiting the same. Case-by-case consideration will be given to other non-routine matters, including proposed mergers and recapitalizations. We may disregard the voting guidelines in situations where a client's best interest would be served by voting otherwise.

We will maintain for five years the following records: a copy of its Proxy Voting Policy; records of votes cast by it on behalf of its clients; records of written requests from clients for their proxy voting information and our written responses; any document prepared by Mengis us, our affiliates or agents in connection with any voting decision; and proxy statements in hard copy or as obtainable via the EDGAR system. A client may obtain a full copy of our Proxy Voting Policy or the information on how we voted securities held by the client upon request. We are not responsible or liable for failing to vote any proxies where we have not received such proxies or related shareholder communications on a timely basis.

Advisor will not take any action or make any recommendation with regard to any shareholder class action, including, without limitation, matters relating to opting in or out of a class and approving class settlements, and you will be responsible for all such matters. Upon request and at the direction of Client, we will assist you in preparing materials and provide information on such matters, to the extent Advisory has any applicable information.

Item 18 – Financial Information

We must disclose any financial condition that could impair our ability to meet our contractual obligations to you. We have no financial matters to disclose to you.

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