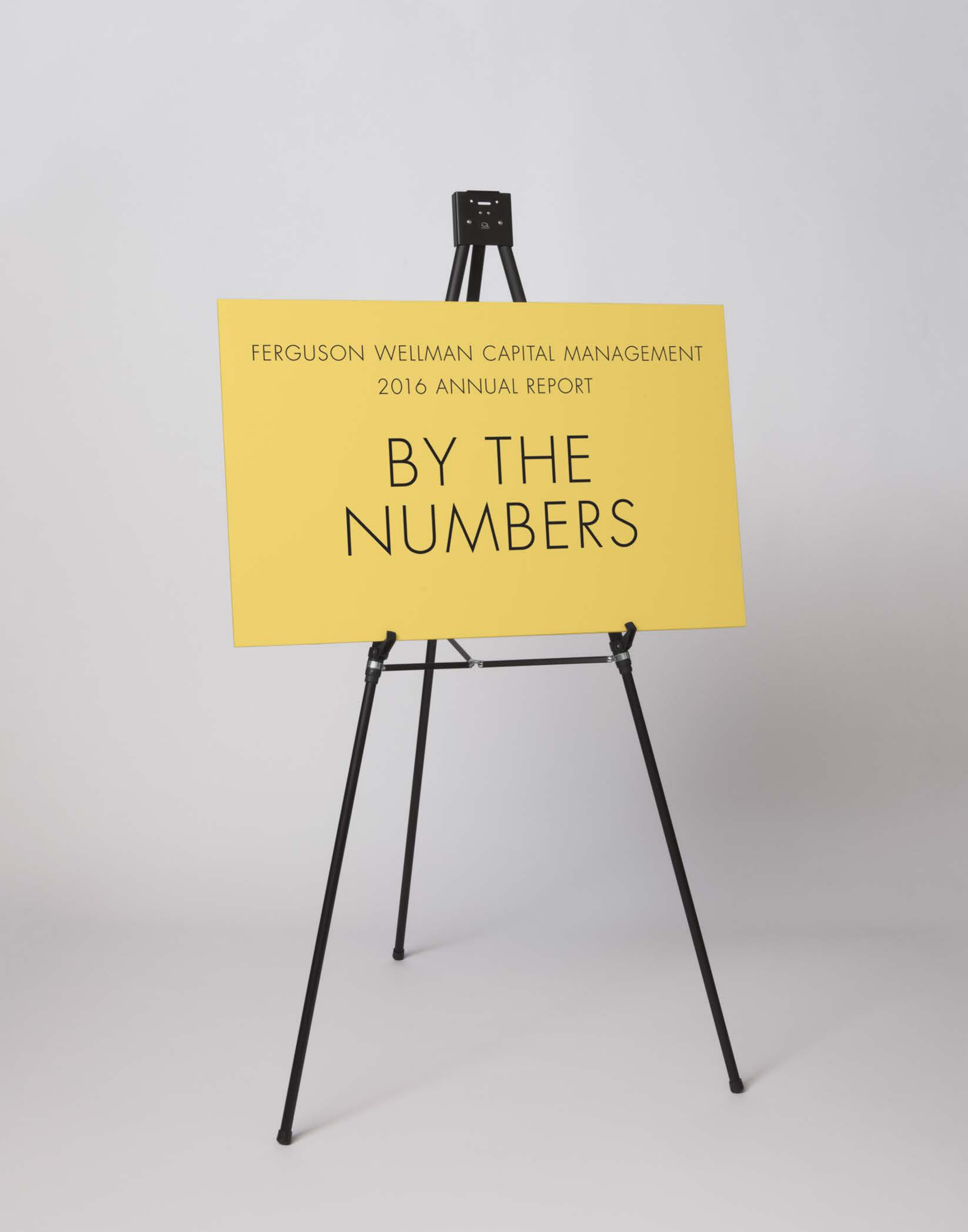

FERGUSON WELLMAN CAPITAL MANAGEMENT
2016 ANNUAL REPORT
BY THE
NUMBERS

2016 MILESTONES

Welcomed 54 new clients who hired Ferguson Wellman and West Bearing

New assets: $139 million

Served more clients and managed more assets than previous years

New hires: Michael Garcia, chief technology officer; Bre Jaspersen, client relationship associate

Promotions: Scott Christianson, CFP®, senior vice president; Josh Frankel, CFP®, executive vice president; Peter Jones, vice president of research

Anniversaries: George Hosfield, CFA, principal and chief investment officer (25 years)

The summaries of five clients on pages six through 14 are not intended to be an endorsement, testimonial or advertisement for Ferguson Wellman or West Bearing.

To Our Clients

The roller coaster ride that the financial markets gave us in 2016 provided a concrete example for our investment philosophy: Implement consistent asset allocation to keep clients invested through good times and bad. We witnessed a 10-percent drop in stocks in January and a decline in interest rates to levels that few had expected. Fits and starts with the economy throughout 2016 pushed stock prices up, only to retreat and then rally again. During the summer, "Brexit" prevailed, which was the first shock of the year. The price of oil caught a bid as OPEC promised supply controls. Meanwhile, interest rates on the bellwether 10-year U.S. Treasury remained at historic lows.

No one, including us, expected what followed next. The November election was a surprise … period. Bond prices dropped dramatically as the 10-year U.S. Treasury rate shot up to finish the year near 2.5 percent. The stock market clutched at the hope for growth and rallied to new records. The dollar strengthened against all currencies, but most notably to the pound, euro and yen. These rapid and surprising changes reinforced the need for investors to remain committed to their long-term goals. Without this philosophy, it would have been easy to be left on the sidelines, watching and wishing.

During this astonishing year, we made careful but important changes at our company. We added 54 new clients between Ferguson Wellman and our division, West Bearing Investments. Our assets under management grew to a record level of $4.56 billion, driven by the addition and retention of clients as well as the stock market growth. As always, we are appreciative of the growth we have experienced this year.

West Bearing celebrated its third year and achieved $150 million in assets under management in 2016. The success of our division has proven our original thesis that there is substantial demand for quality investment management, reporting and service in the wealth management space starting at $750,000.

We created a new strategic position, chief technology officer, as our reliance on digital data and technology only grows in importance. We expanded our service team with the hiring of our seventh client relationship associate. Both additions are consistent with our commitment to exceed expectations and act with uncompromising ethics and reliability for our clients.

Lastly, we want to recognize two people; an existing shareholder and a retired icon. George Hosfield, our chief investment officer, was our 11th current-or-former employee to celebrate a 25th anniversary at our company. It is a significant milestone that we celebrate proudly because of the loyalty and continuity it represents. We said goodbye to our good friend and former colleague, Roger "Rip" Van Winkle, who died in August of 2016. Rip joined Ferguson Wellman shortly after its founding in 1975, and was an important leader of the company from 1977 to 1997. His character and investment expertise helped build the foundation of our company today. We think of him often around the firm and are grateful that many current employees knew him due to his frequent office visits after he retired.

We hope you find value in this year's annual report and have an opportunity to learn something new about our company. As always, we are grateful for the clients we serve and the referrals we received in 2016. In everything we do, we seek to uphold our mission, *Investment Excellence; Lifelong Relationships*, in an ongoing effort to earn your trust and confidence.

Best regards,

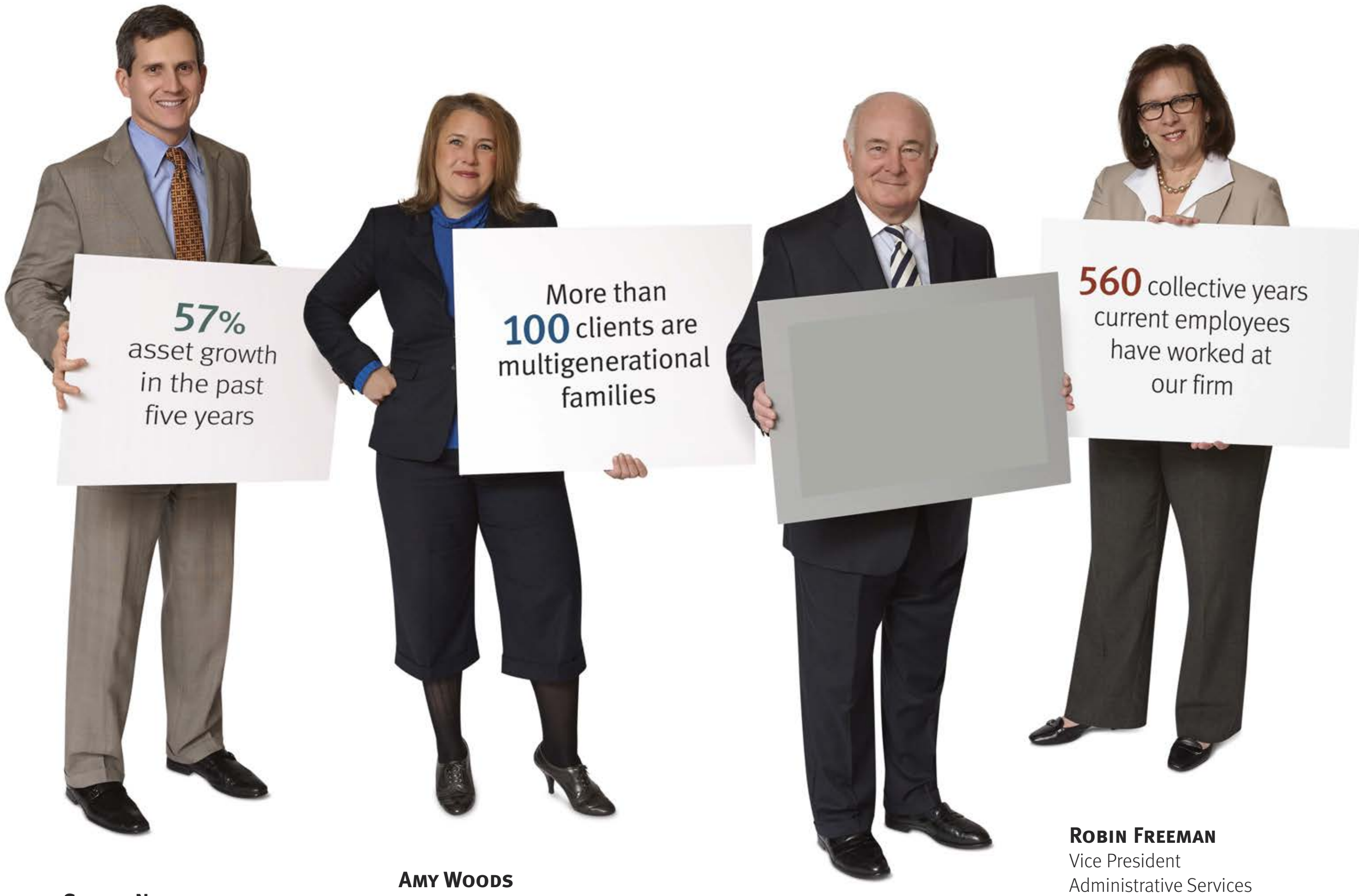
Jim Rudd
Principal and CEO

Steve Holwerda, CFA
Principal and COO

BY THE NUMBERS

For some, reading books is a passionate pastime. For others, analyzing research and reviewing reports is a critical component of work. Pew Research Center released a report indicating that Americans are reading less than before, with a 7 percent drop from 2011 to 2015. The survey also found that 72 percent of Americans had read only one book over the course of a year.

When the first "tweets" were sent 10 years ago, many were challenged to make a statement in 140 characters. As Jayanta Jenkins, global group creative director for Twitter said, "The less you say, the more you convey." Although this approach may make authors and journalists shudder, today's communication practices reflect a society that is continually bombarded with more information and has less time to process it.



Shawn Narancich, CFA
Executive Vice President
Equity Research
Industry experience: **21**
Shareholder since: **2010**

Amy Woods
Client Relationship Associate
Industry experience: **19**
Shareholder since: **2002**

Jim Rudd
Principal
Chief Executive Officer
Industry experience: **34**
Shareholder since: **1985**

Robin Freeman
Vice President
Administrative Services
Industry experience: **38**
Shareholder since: **1985**

For this year's annual report, we have streamlined our communication to place more emphasis on the numbers that represent how we manage our company and serve our clients. Behind every data point is one of our employees, supporting the critical connection between our people and the growth of our firm and our client relationships.

We often tell prospective clients that when you select Ferguson Wellman or West Bearing Investments, you hire a team, not an individual. Through this year's report format, we hope you get to know our company and team as efficiently as one would scan through their Twitter feed.

Heidi Goertzen, IACCP®
Chief Compliance Officer
Industry experience: **13**

Marc Fovinci, CFA
Principal
Fixed Income Strategy, Portfolio Management
Industry experience: **33**
Shareholder since: **1993**

Luz Garcia
Client Relationship Associate
Industry experience: **16**
Shareholder since: **2005**

Nathan Ayotte, CFP®
Executive Vice President
Portfolio and Wealth Management
Industry experience: **16**
Shareholder since: **2010**

Cultivating multigenerational, lifelong relationships

We have proudly served a client representing **four** generations that include **17** households spanning across **41** years. During this timeframe, we worked compassionately to settle estates, advised on **529** college savings plans and managed more than **40** separate portfolios customized to fit the lifestyle goals of each family member. The work we have completed and the trust we have established over the years have helped us earn lifelong relationships — starting in **1975**, building through **2016** and looking to **2041** and beyond.

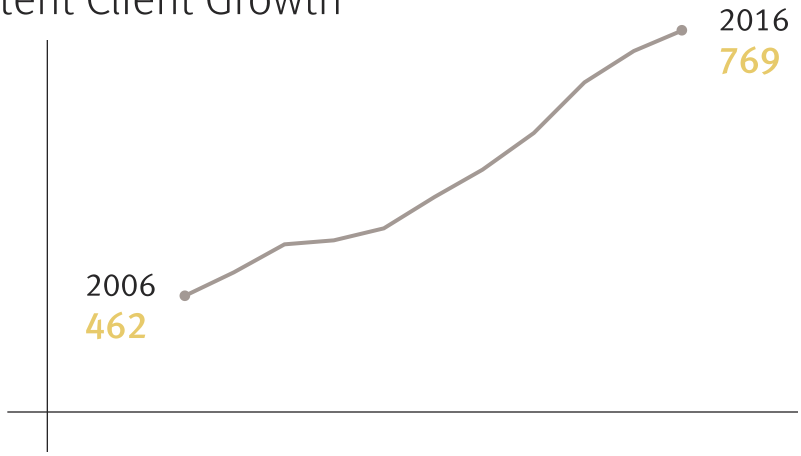
Mary Lago, CTFA
Executive Vice President
Portfolio and Wealth Management
Industry experience: 19

Jason Norris, CFA
Executive Vice President
Equity Research
Industry experience: 19
Shareholder since: 2004

Kathi Kimes
Front Office Coordinator
Industry experience: 36
Shareholder since: 1985

Patrick Yazhari
Trading Associate
Industry experience: 5

Consistent Client Growth



Danielle White
Sales and Marketing Associate
Industry experience: **1**

George Hosfield, CFA
Principal
Chief Investment Officer
Industry experience: **34**
Shareholder since: **1991**

Julie Mark
Client Relationship Associate
Industry experience: **8**
Shareholder since: **2013**

Don Rainer
Executive Vice President
Relationship Management
Industry experience: **26**
Shareholder since: **2001**

Benefitting from starting early and staying the course

The journey began in **1962** after a college professor taught him the Rule of **72**: Money doubles every **eight** years at **9** percent. Stay in your lane, hold the course with a **50/50** portfolio of bonds and stocks. This client began saving at **22** and maximized what he could afford to invest each year through retirement in **2005**. Diversified in **11** economic sectors and **50** stocks, we helped him let the winners grow because the **20+** percent capital gains slows the growth. Reaching his "number" resulted in him confidently withdrawing **4** percent per year to live his life comfortably, letting his portfolio work for him **24** hours a day, **365** days a year.

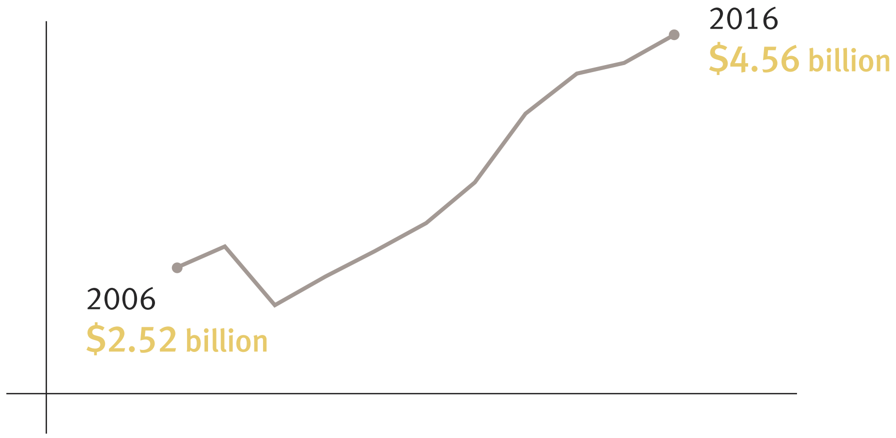
Beth Harding
Client Relationship Associate
Industry experience: **16**

Ralph Cole, CFA
Executive Vice President
Equity Research
Industry experience: **24**
Shareholder since: **2001**

Jeanene Wine
Operations Associate
Industry experience: **17**
Shareholder since: **2004**

Mark Kralj
Principal
Industry experience: **38**
Shareholder since: **1991**

Asset Growth Over 10 Years



Lyndsi Fink
Investment Associate
Industry experience: **3**

Brad Houle, CFA
Excutive Vice President
Fixed Income Research
Portfolio Management
Industry experience: **26**
Shareholder since: **2015**

Bre Jaspersen
Client Relationship Associate
Industry experience: **2**

Chad Long
Vice President
Information Systems
Industry experience: **8**
Shareholder since: **2013**

Fostering innovation and improving outcomes through endowed funds

A hospital foundation allocates dollars to a new kind of medical investment: the creation of a teaching kitchen and food pharmacy. With a **$450,000** investment over **18** months, the kitchen reached **239** adults and **85** children from July to September of **2016** alone through cooking classes and personalized counseling. With the food pharmacy, doctors write a "prescription" for food, enabling patients to access healthy produce and supplements to address specific medical issues through diet. To date, **5,428** pounds of food have been distributed to patients, resulting in better outcomes. With **30** board trustees, and **seven** members of their investment committee, they endow money for **18** projects connected to the hospital each year.

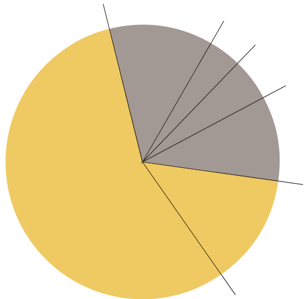
Tim Carkin, CAIA, CMT
Senior Vice President
Equity Trading
Alternative Assets
Industry experience: **18**
Shareholder since: **2008**

Sandy Fendall
Client Relationship Associate
Industry experience: **9**
Shareholder since: **2012**

Joe Brooks
Vice President
Fixed Income Trading
Industry experience: **11**
Shareholder since: **2011**

Deidra Krys-Rusoff
Senior Vice President
Tax-Exempt Trading
Portfolio Management
Industry experience: **26**
Shareholder since: **2009**

Our Broad Client Base



31% Institutional

12%	Taft-Hartley Plans
4%	Corporate Retirement Plans
5%	Corporate Reserves
10%	Foundations and Endowments

69% Individual

13%	IRAs
56%	Individuals and Families

Dean Dordevic
Principal
Industry experience: **35**
Shareholder since: **1995**

Becky Horvat, CPA
Vice President
Controller
Industry experience: **8**
Shareholder since: **2013**

Josh Frankel, CFP®
Executive Vice President
Portfolio and Wealth Management
Industry experience: **7**
Shareholder since: **2015**

Lauren Krygier
Client Relationship Associate
Industry experience: **10**

Taking risks early and preserving wealth through diversification

Embracing risk to create a new business not **one**, not **two** but **three** times. Each new endeavor was built on the success and knowledge of the others. Employed **hundreds** of workers in **12** locations. These entrepreneurs sought opportunity in places that would cause others fear and anxiety. In the end, they sold a business that took over **20** years to build, resulting in an offer that was **1,000** times the original capital it took to start. They believed that wealth is created through concentration and is preserved through diversification. Entrepreneurs often retire with an investment portfolio that is more stable than managing a single business.

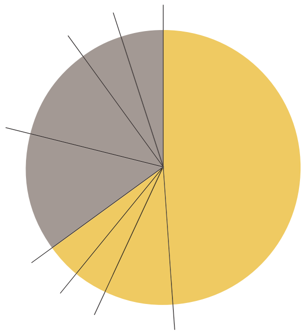
Erin Rosenbladt
Vice President
Client Solutions and Information Systems
Industry experience: **3**

Steve Holwerda, CFA
Principal
Chief Operating Officer
Industry experience: **27**
Shareholder since: **1991**

Lori Ferraro
Administrative Associate
Industry experience: **12**
Shareholder since: **2009**

Michael Garcia
Chief Technology Officer
Industry experience: **29**

Our Diversified Assets Under Management

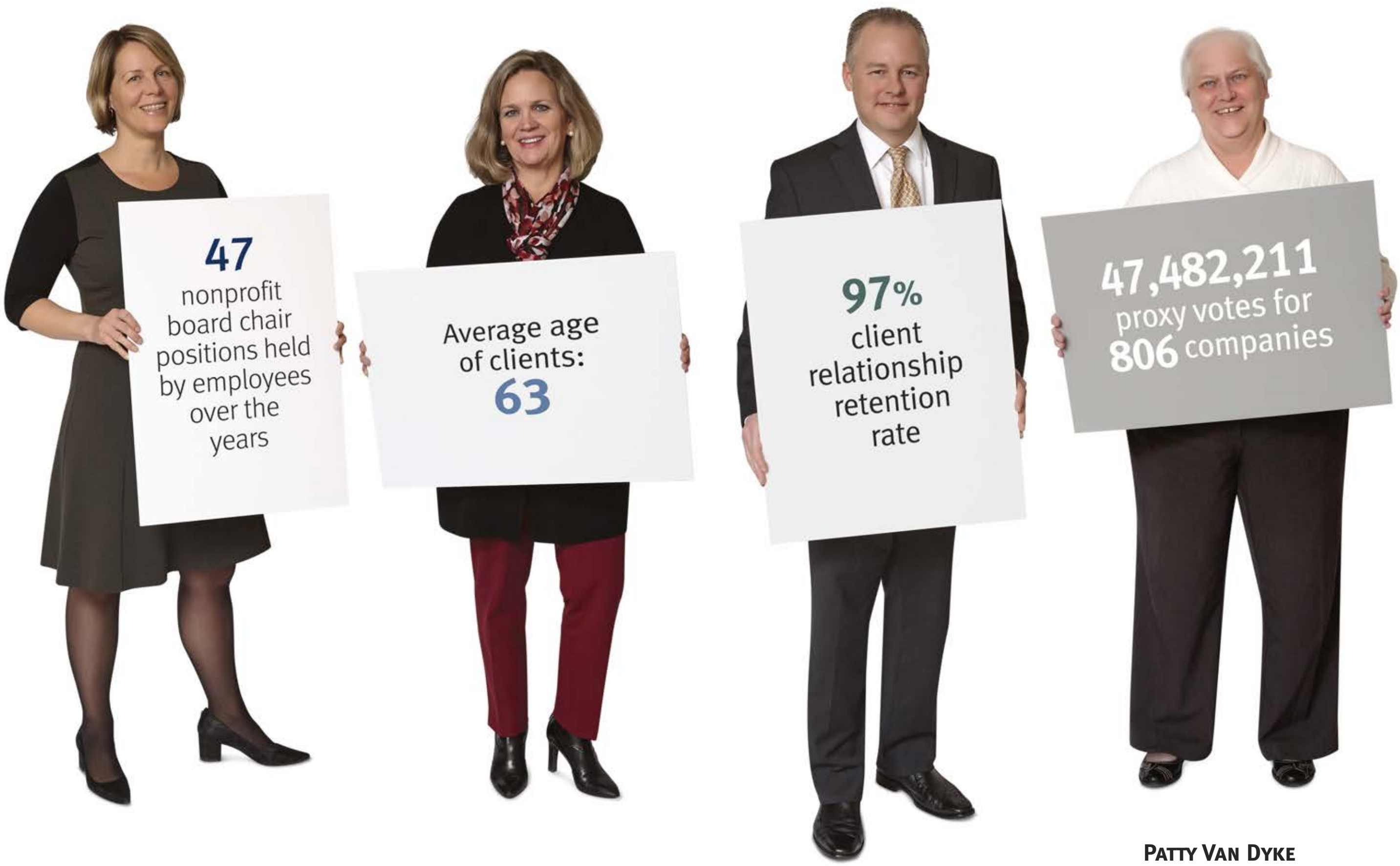


65% Equities

- 49% Domestic Large Cap
- 8% International
- 4% Domestic Small Cap
- 4% Alternative Assets

35% Fixed Income

- 14% Municipal Bonds
- 11% Corporate Bonds
- 5% Cash
- 5% Mortgage-Backed Securities, Treasury and Agency Bonds



Mary Faulkner
Senior Vice President
Branding and Communications
Industry experience: **10**
Shareholder since: **2011**

Beth Brown
Client Relationship Associate
Industry experience: **24**

Jim Coats
Executive Vice President
Relationship Management
Industry experience: **16**
Shareholder since: **2008**

Patty Van Dyke
Operations Associate
Industry experience: **24**
Shareholder since: **1997**

One woman's generosity impacting future generations

At the funder's passing at age **93**, a private foundation was established. Today, **five** trustees make decisions on how to spend the over **$200,000** of philanthropic money they have designated each year. Over **40** scholarships have been given over the **six-year** history as well as nearly **200** grants to agencies helping people in need and bettering the community. **Twenty-five** communities across the state have been positively impacted by the generosity of the funder and the dedication of the trustees.

Lori Flexer, CFA
Executive Vice President
Portfolio and Wealth Management
Industry experience: **21**
Shareholder since: **2001**

Peter Jones
Vice President
Research
Industry experience: **3**

Helena Lankton
Executive Vice President
Portfolio and Wealth Management
Industry experience: **41**
Shareholder since: **2007**

Relative Risk and Return

Asset Class
Equities
Alternatives
Fixed Income

Higher **Return**

Private Equity
International Equity
Real Estate
Small-Cap Equity
Large-Cap Core Equity
Large-Cap Dividend Value
Absolute Return
Core-Plus Fixed Income
Core Fixed Income
Short-Intermediate Fixed Income
Municipal Bonds
Cash Management

Higher **Risk**

Scott Christianson, CFP®
Senior Vice President
Portfolio and Wealth Management
Industry experience: **8**
Shareholder since: **2013**

Liz Olsen
Vice President
Marketing and Communications
Industry experience: **3**

Mission

Investment Excellence • Lifelong Relationships

Core Values

Exceed expectations

Act with uncompromising ethics and reliability

Advocate innovation and manage change

Foster a collegial environment

Enjoy the journey

Investment Principles

Know the environment

Seek opportunities

Manage risk

Focus on the long term

FERGUSON WELLMAN
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