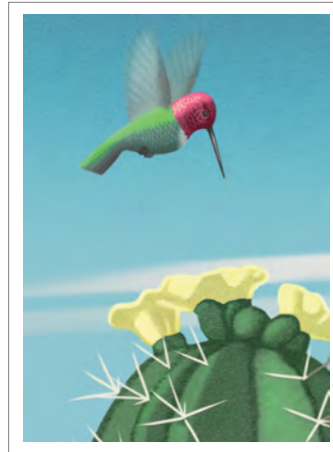
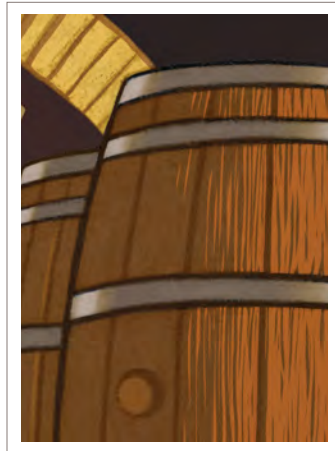
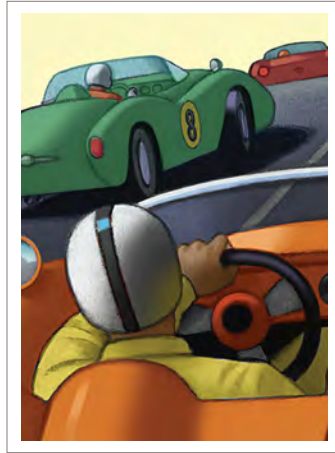


Ferguson Wellman Capital Management 2014 Annual Report

THE PRINCIPLES OF INVESTING



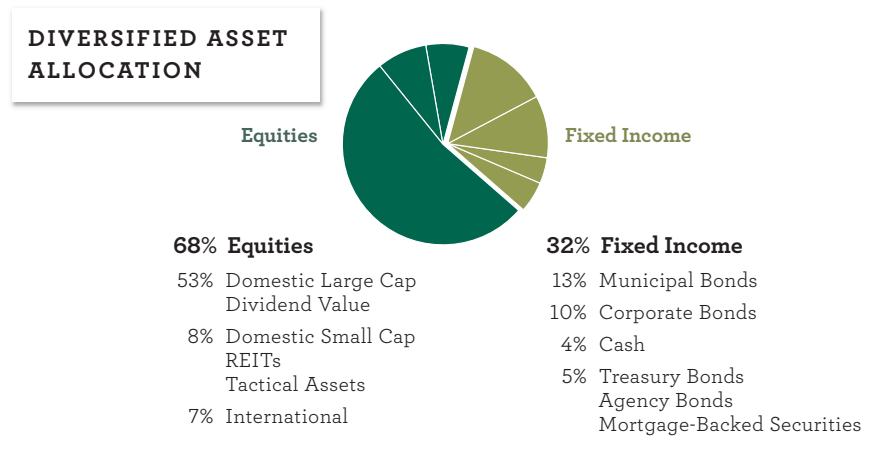
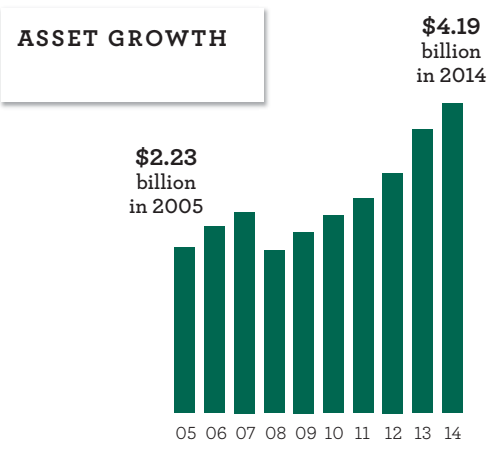


Ferguson Wellman Board of Directors
 Clockwise from top:
 Jim Rudd, George Hosfield, CFA
 Dean Dordevic, Mark Kralj,
 Steve Holwerda, CFA

We are a company based on principles.

Throughout the pages of this report, you will get a sense of the disciplined approach we take toward our investment strategies, client service and company management. It's our clients who inspire us to achieve our mission statement of investment excellence; lifelong relationships. It's their decision to entrust their assets with our firm that establishes a high bar for us to reach regarding what we do for our clients and how we manage our company.

2014 was another successful year for Ferguson Wellman, based upon metrics that include number of clients served, assets under management, client retention and referrals from clients and professional partners. We saw steady, diverse growth and welcomed new individuals, families and institutions from throughout the United States. West Bearing Investments, a new division we founded in 2013 to serve clients with portfolios starting at \$750,000, grew to \$73.5 million in assets under management.



Behind the scenes, we bolstered our infrastructure through technology investments in our client relationship management system and trading platform. We will continue to seek ways to integrate and update our technology to optimize the timeliness, accuracy and security of our data and information. We also introduced a disciplined, tax-efficient equity strategy as an option for clients who are willing to tolerate less flexibility with portfolio rebalancing in exchange for reduced capital gains taxes.

Attracting, rewarding and retaining top professionals to serve each client has always been a top priority for our firm. Continuity is an important attribute to client service, as we know it takes years to earn a trusting relationship. We never want to jeopardize our work with clients by allowing frequent employee turnover. Therefore, we believe ownership not only defines our firm's culture, but our clients also benefit from the longevity, accountability and pursuit of excellence it instills in our employees.

In 2014, we hired three new professionals: Lyndsi Fink, investment associate; Beth Harding, executive associate; and Peter Jones, equity trading associate. All of them bring new skills, experiences and energy to our firm. We also invited three key managers to purchase additional equity in our company: Tim Carkin, Mary Faulkner and Deidra Krys-Rusoff.

Each annual report gives us the opportunity to thank our clients for the trust they have in us. Together, we work to preserve and grow their assets, as well as navigate through the complexity of decisions that individuals and institutions continually need to address.

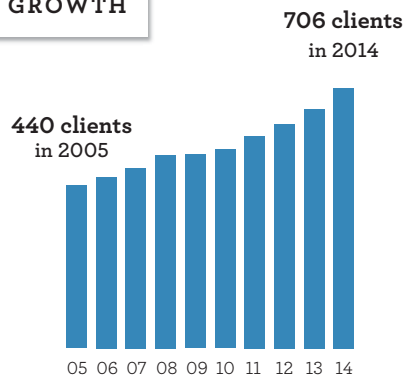


James H. Rudd
Chief Executive Officer

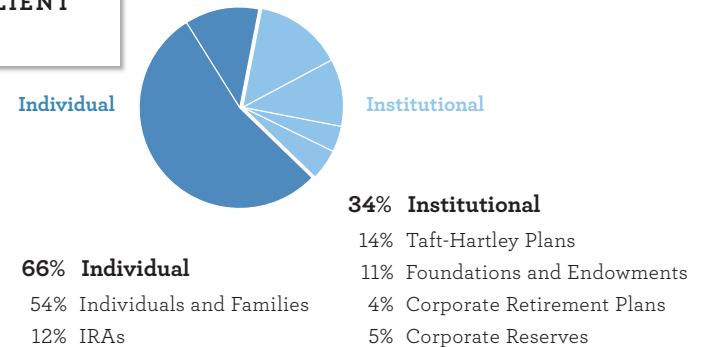


Steven J. Holwerda, CFA
Chief Operating Officer

**CONSISTENT
CLIENT GROWTH**



**BROAD CLIENT
BASE**



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About this Report

The history of the poster dates back to 1798 when lithography was invented, which used metal and wood blocks to create color and design. In the 1870s, posters were a critical tool for mass communication. Streets of European cities were adorned with colorful art that laid the groundwork for modern advertising.

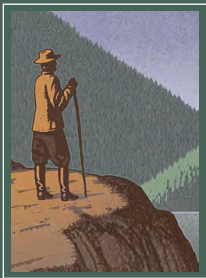
Belle Epoque and Art Nouveau incrementally influenced poster design over the course of 60 years and reflected the art and culture of cities trying to capture their identity. Both Modernism and Art Deco not only reflected the lifestyle and social influences of the times — but also started to infiltrate political propaganda and wartime messaging. Posters also played a critical role with the U.S. Work Projects Administration (WPA) regarding community activities, health programs and the National Parks system.

There are many impressionable images from the Art Deco and Modernism era that trigger nostalgia for many of us. In developing this year’s annual report, we looked to Fred Ingram, an Oregon-based illustrator, to help us take a “poster” approach to communicating our Investment Principles. If a picture is worth a thousand words, these four images metaphorically capture our tenets for investing, how we manage our company and most importantly — how we serve our clients.

2014 Annual Report Team

Mary Faulkner, Ferguson Wellman
Martha Gannett Design
Jerome Hart Photography
Fred Ingram Illustration

The Principles of Investing



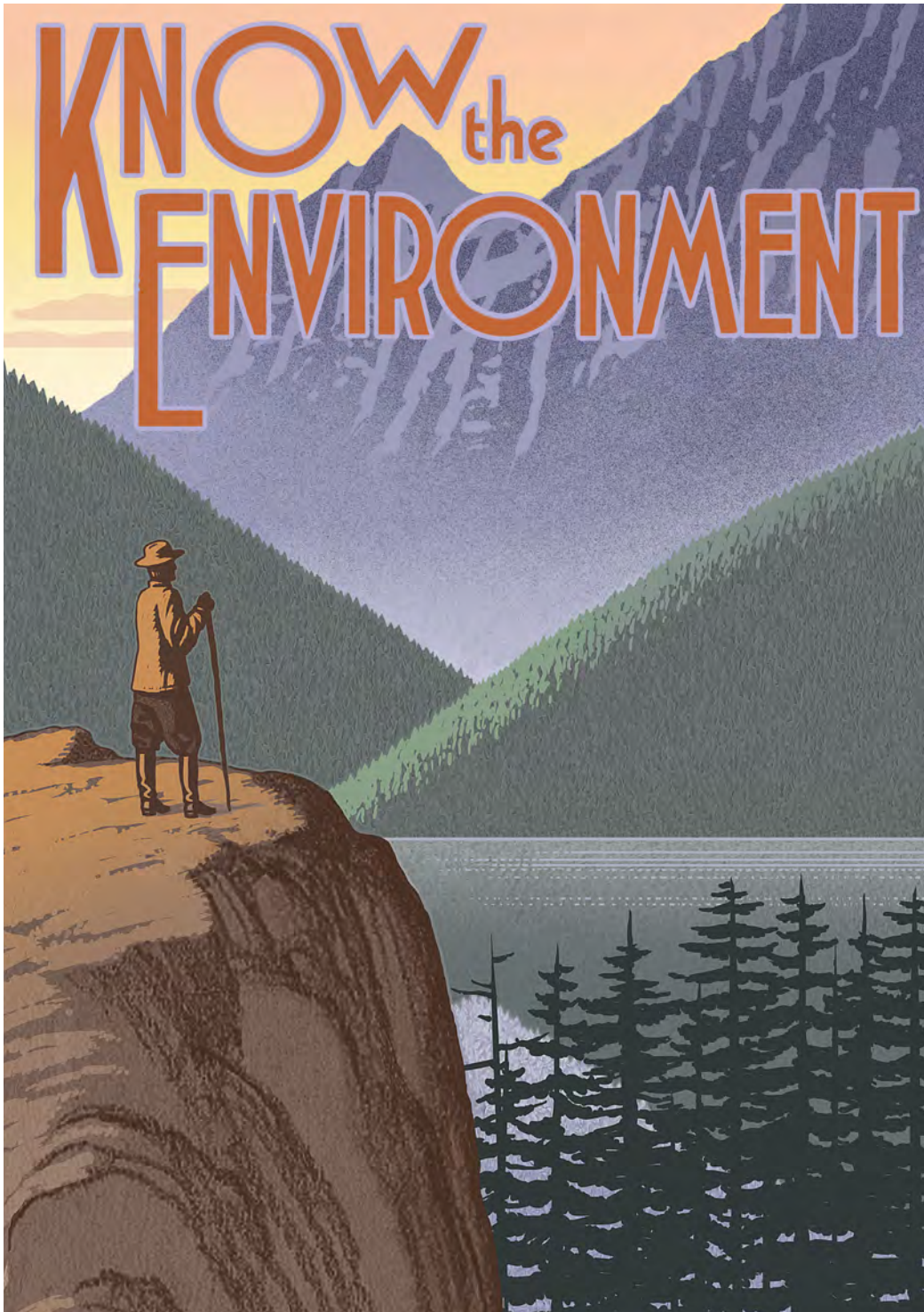
Active management requires a **rigorous, disciplined approach**.

It takes a **top-down view** of the global economy and the assets within our investment universe. We look for a mismatch between our world view and how asset classes are valued. An asset class trading at a discount to our views is an **opportunity**.

We then **allocate capital** to our analysts for security selection. Using **proprietary models** and **fundamental research**, securities are selected at a time when we can further exploit this discount for our **clients' advantage**.

Our long-term history with this process allows us to have **conviction** in these ideas through inevitable market volatility.

This is our approach to **active management**. And these are our **Principles of Investing** that guide us for every client and their portfolio.



Know the Environment

Capital is allocated in accordance with analysis of the global economic landscape

Asset allocation is the most important determinant of long-term portfolio performance. Understanding and correctly assessing the macroeconomic environment on a global basis is critical for distributing capital among asset classes.

A command of trends in valuation, interest rates, inflation, currencies, commodities, capital flows and monetary policy help guide asset allocation. These trends and themes are also instrumental in determining which sectors, industries and individual securities to emphasize or avoid.

Understanding the expected risk, return and correlation among asset classes enables us to best capitalize the environment.

Our goal is to create portfolios that enable our clients to benefit from global capital markets, while remaining aligned with their long-term goals and comfort level. — George Hosfield, CFA

Identify Opportunities

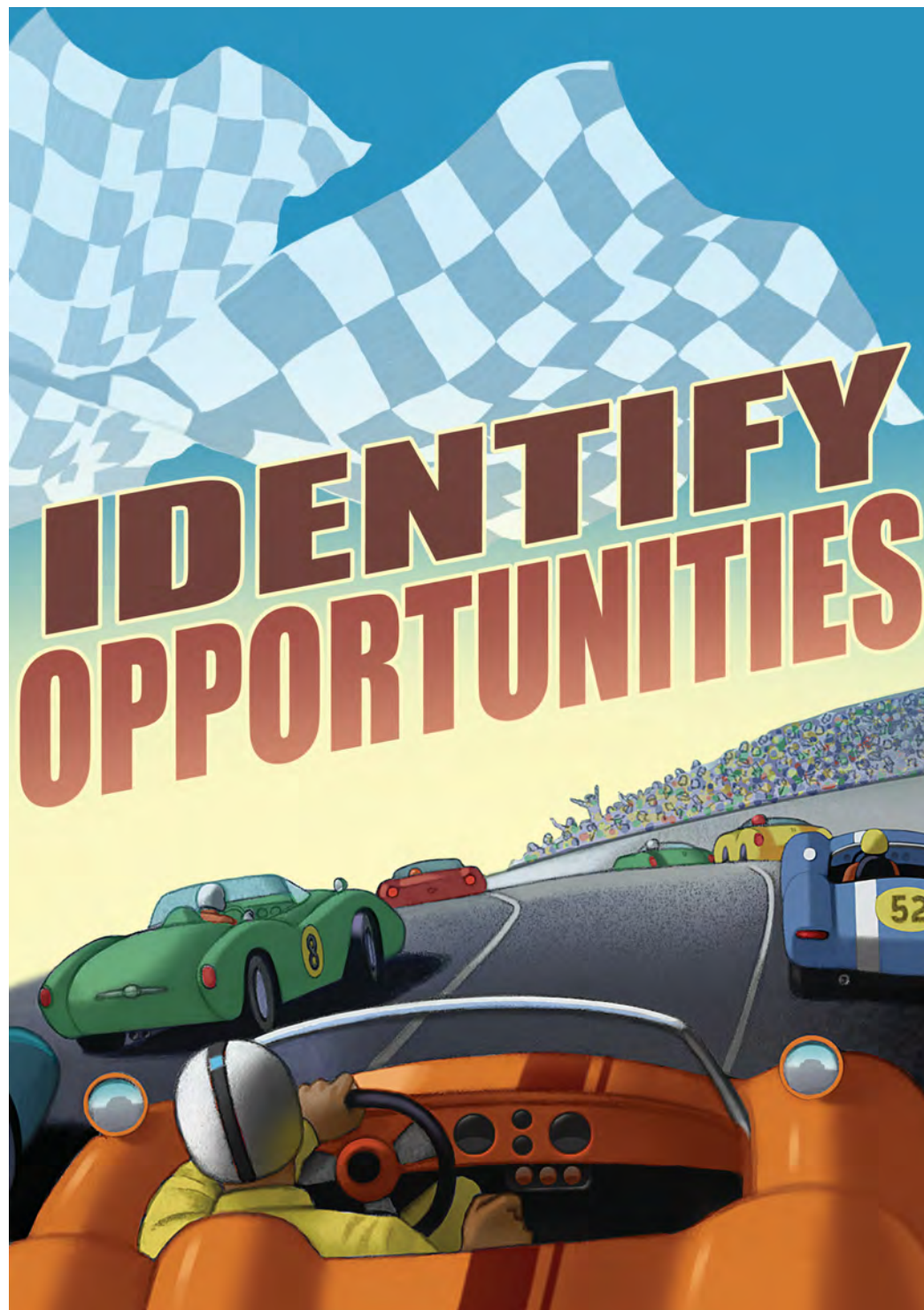
Diligence unclouded by emotion often reveals value overlooked by consensus

When reviewing the investment landscape, commonly-held beliefs are often called consensus. While we don't view consensus as always being wrong, we do believe that finding extraordinary opportunities require ideas beyond those commonly-held.

We look for a mismatch between what our world view is and how different asset classes are being valued. When an asset class trades at a discount to our views, we see this as an opportunity.

In the short run, emotions drive markets and crowd psychology holds sway. However, careful examination of market data can unveil crowd-driven extremes. These extremes allow us to find value beyond the market return. In the long term, our process allows us to have conviction in these ideas through exploiting inevitable market volatility.

There are always profitable investment opportunities at every stage of an economic cycle — Ralph Cole, CFA





Manage Risk

Risk must be compensated by excess return or diversified away

To achieve any return above inflation, a portfolio must take on risk. In today's efficient markets, a risk-free portfolio will have zero return.

Volatility is risk. Diversification across many investments and prudent asset allocation are the most effective tools for minimizing volatility.

A significant component of our analysis is dedicated to identifying, quantifying and understanding the risks of individual investments and how these risks impact a client portfolio. Ultimately, investments must promise returns that more-than-compensate for the risks assumed.

Capital markets can be volatile and our mission is to position portfolios to handle the unexpected. Ultimately, we are risk managers for our clients. — Marc Fovinci, CFA

Focus on the Long Term

Catch the cycles, not the turn, and chart a sustainable course

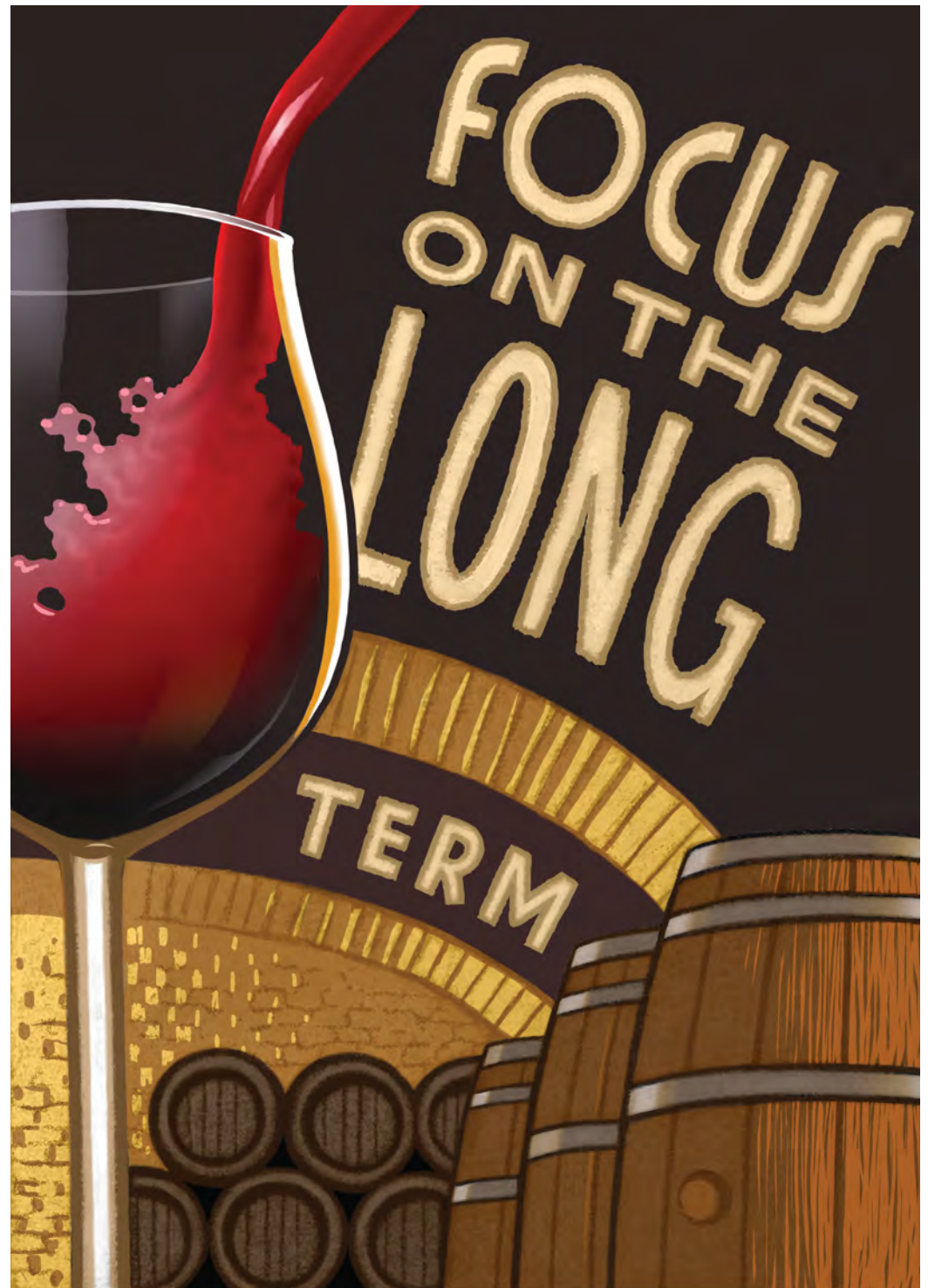
At the start of our relationship with clients, the goal is to chart a sustainable, achievable course that in the long run satisfies their objectives.

We do not strive to precisely time each turn of the market. Rather, we seek to capitalize on major cycles and do not let short-run volatility deter us from keeping an eye on the long-term goals.

Our approach is one of patience, strategic shifts and a resolve to stay focused on the fundamentals. Over time, we arrive at the destination of achieving financial success and stability for clients.

Compound interest works 24/7. When investors are patient and remain focused on the long term, the portfolio results can be powerful.

— Jim Rudd



An Active Relationship With Our Clients

We are well versed in the topic of transition and change. We advise on decisions around charitable endeavors, wealth transfers to other family members, capital projects and other investments.

— Lori Flexer, CFA



Shawn Narancich

We work with more than **100**
multigenerational families



Amy Woods

KNOW THE ENVIRONMENT



Helena Lankton



Luz Garcia

When you work with our firm, you have a manager who really knows you. We have a good understanding of each client's risk tolerance and their desire to seek new opportunities.

— Mark Kralj

16-to-1

client to employee ratio



Anne Holmstrom



Don Rainer



Tim Carkin

When clients select Ferguson Wellman or West Bearing, they hire a team, not an individual portfolio manager. We bring a wide range of expertise to the table and are methodical at identifying our collective best thinking.

— Deidra Kryz-Rusoff

Asset allocation is everything. It's not just how the markets are doing but how you are doing with respect to your goals and objectives.

— Jason Norris, CFA



Becky Horvat



Brad Houle

115 of our clients
have been with us more
than 20 years

Having worked with clients, in some instances for decades, we have seen how those years leading into retirement can play out. We impart that knowledge and experience we have to other clients as they continue on their life journeys.

— Helena Lankton



Robin Freeman



Ralph Cole



Jeanene Wine



Sandy Fendall

Welcomed **56** new individuals
and families in 2014 and
8 institutional clients

A portfolio manager is measured by how their decisions over the long term benefit their clients.

— Dean Dordevic

IDENTIFY OPPORTUNITIES



Jim Coats



Erin Rosenblatt

Using individual securities enables us to match portfolios with clients' needs and be tax-efficient in the process. We can also align portfolios with clients' beliefs by eliminating specific companies that they do not wish to own.

— Scott Christianson, CFP®

Understanding the thinking behind our investment decisions helps clients feel confident in our approach.

— Mary Faulkner



Chad Long



Jason Norris

An Active Relationship With Our Clients



Julie Mark



Kathi Kimes

We provide perspective and keep clients invested at times when the headlines may trigger them to feel otherwise.

— Nathan Ayotte, CFP®



Scott Christianson

We manage assets
for **155** institutions

MANAGE RISK

Being in business for nearly four decades, we often provide continuity for institutional clients when terms end for boards of trustees. We provide context and perspective on past decisions that enable new trustees to make informed decisions.

— Jim Coats



Kerrie Young



Lauren Krygier

77% of our employees
are shareholders



Joe Brooks

Working with other professionals, such as accountants and estate planning attorneys, helps us connect clients with resources beyond investment management.

— Don Rainer



Lori Ferraro



Liz Olsen



Deidra Krys-Rusoff



Mary Faulkner



Nathan Ayotte

We serve on
69 nonprofit
boards in the
community



Lori Flexer



Marc Fovinci



Beth Brown Craven

Aside from retirements,
we haven't lost an
investment professional
in **25** years

We've often helped clients be creative in problem solving or assisted them as they pursued an opportunity. With our experience in working with many institutions, we work collaboratively with clients to reach their goals beyond investments.

— Brad Houle, CFA



Lynelle Tarter

FOCUS ON THE LONG TERM



Peter Jones



Beth Harding



Patty Van Dyke

We continually come across new concepts, circumstances and challenges in the news that require a clear explanation and historical context. Helping clients better understand the issues and get more perspective is important to us.

— Liz Olsen



**WEST BEARING
INVESTMENTS**
a division of Ferguson Wellman

West Bearing Investments serves individuals and institutions with investable assets starting at \$750,000.

Similar to the composition of Ferguson Wellman's client base, West Bearing works with business owners, nonprofits, real estate professionals, corporate executives, physicians and professional organizations.

From investments to infrastructure, West Bearing is backed by a 39-year old company.

Sources of West Bearing growth are referrals from existing clients, accountants, attorneys and other professionals.

West Bearing currently serves clients in Oregon, Washington and California.

West Bearing Investments
growth since inception:
\$73.5 million assets under
management; **65** clients

We provide our clients with the building blocks to make solid financial decisions that will ultimately last a lifetime.

— Josh Frankel, CFP®



Josh Frankel



Jorge Chavarria



Lyndsi Fink

Creating a division and hiring a team of professionals creates opportunities to serve new audiences while providing unwavering service and accessibility for existing Ferguson Wellman clients.

— Steve Holwerda, CFA

In 2014, West Bearing welcomed 40 new individual and institutional clients.

Our Strategies, Services, Communication and Education

STRATEGIES

Cash Management
Municipal Bonds
Short-Intermediate Fixed Income
Core Fixed Income
Core-Plus Fixed Income
Large-Cap Dividend Value
Tactical Assets*

Large-Cap Core Equity
Small-Cap Equity*
Real Estate
International Equity

* This strategy is externally managed for Ferguson Wellman and West Bearing clients.

Not all strategies may be suitable for every investor. The appropriateness of any investment will depend upon the unique circumstances and objectives of each investor.

SERVICES

Horizon™ Financial Planning
Asset Allocation Modeling
Client Balance Sheet
Electronic Safe Deposit Box

Strategies on Philanthropy
Acquisition Analysis
Comparison Calculators
Quarterly Reports

COMMUNICATION AND EDUCATION

Market Letter
Investment Strategy video
Investment Outlook events
Weekly Market Makers blog

Glossary of Investment Terms
Investing Essentials
Retirement: Here or On the Horizon
Start Now! Savings Essentials

Our Professionals

Ferguson Wellman Anniversaries in 2014

10 years

Lori Ferraro
Deidra Krys-Rusoff

25 years

Steve Holwerda
Mark Kralj

Nathan M. Ayotte, CFP*
Executive Vice President
Portfolio and Wealth Management

Joseph O. Brooks*
Vice President
Fixed Income Trading

Timothy D. Carkin, CAIA, CMT*
Senior Vice President
Equity Trading and Alternative Assets

Jorge A. Chavarria**
Executive Associate

Scott W. Christianson, CFP*
Vice President
Equity Trading and Wealth Management

James A. Coats*
Executive Vice President
Relationship Management

Ralph W. Cole IV, CFA*
Executive Vice President
Equity Research and Portfolio Management

Beth Brown Craven
Executive Associate

Dean M. Dordevic*
Principal
Portfolio Management and Alternative
Assets

Mary A. Faulkner*
Senior Vice President
Branding and Communications

Sandy Fendall*
Executive Associate

Lori A. Ferraro*
Administrative Associate

Lyndsi Fink**
Investment Associate

Lori B. Flexer, CFA*
Executive Vice President
Portfolio and Wealth Management

Warren Foltz*
Operations Associate

Marc F. Fovinci, CFA*
Principal
Fixed Income Strategy and Portfolio
Management

Josh Frankel, CFP**
Senior Vice President
Portfolio and Wealth Management

Robin L. Freeman*
Vice President
Administrative Services

Luz Garcia*
Executive Associate

Beth Harding
Executive Associate

Anne Holmstrom
Trading Associate

Steven J. Holwerda, CFA*
Principal and Chief Operating Officer

Becky Horvat, CPA*
Vice President and Controller

George W. Hosfield, CFA*
Principal and Chief Investment Officer

Brad H. Houle, CFA
Executive Vice President
Fixed Income Research and Portfolio
Management

Peter D. Jones
Equity Trading Associate

Kathi C. Kimes*
Front Office Coordinator

Mark J. Kralj*
Principal
Portfolio and Wealth Management

Lauren Krygier
Executive Associate

Deidra M. Krys-Rusoff*
Senior Vice President
Tax-Exempt Trading and Portfolio
Management

Helena B. Lankton*
Executive Vice President
Portfolio and Wealth Management

Chad A. Long*
Vice President
Information Systems

Julie L. Mark*
Executive Associate

Shawn M. Narancich, CFA*
Executive Vice President
Equity Research and Portfolio Management

Jason D. Norris, CFA*
Executive Vice President
Equity Research and Portfolio Management

Elizabeth Olsen
Vice President
Marketing and Communications

Donald L. Rainer*
Executive Vice President
Relationship Management

Erin Rosenblatt
Executive Associate

James H. Rudd*
Principal and Chief Executive Officer

Lynelle I. Tarter*
Marketing and Sales Associate

Patricia J. Van Dyke*
Operations Associate

Jeanene M. Wine*
Operations Associate

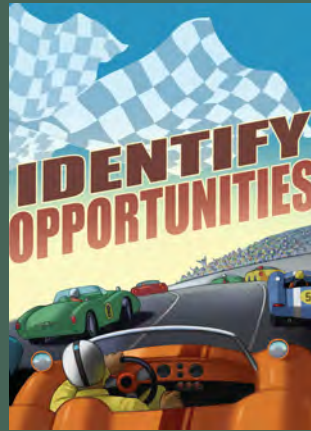
Amy L. Woods*
Executive Associate

Kerrie D. Young, IACCP*
Vice President
Chief Compliance Officer

* Shareholder of the firm

** West Bearing Investments professional

INVESTMENT PRINCIPLES



MISSION

Investment Excellence • Lifelong Relationships

CORE VALUES

Our commitment — to our clients, our profession, our community and ourselves — is to:

- > Exceed expectations
- > Act with uncompromising ethics and reliability
- > Advocate innovation and manage change
- > Foster a collegial environment
- > Enjoy the journey



FERGUSON WELLMAN
CAPITAL MANAGEMENT

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