**Dollars & Sense**
The region's top financial advisors help plan your investment strategy
By Jim Pasero

*BrainstormNW* introduces you to four of the most influential individuals in Oregon's financial community. Each plays a different role in the business of money, and each offers a unique perspective on the future of the region's economy.

**Pat Becker Jr.**
*Tracking the region's top tech companies*

Pat Becker Jr. remembers getting a call on his cell phone last year from a friend who works for Nike.

"He told me," says Becker, "'I'm sitting here in a bar in China, and I'm watching you on television.'" His friend was watching "Bloomberg News," where Becker has appeared regularly for the last several years as an analyst for the region's technology stocks.

The idea that hotel lounges in China are tuned to "Bloomberg News" shouldn't be a surprise. "Bloomberg" is, arguably, the world's most connected financial news service with more than 1,600 reporters covering the world's finance centers 24/7.

Becker's resume is equally impressive. In addition to appearing on "Bloomberg News," his analysis appears on Bloomberg.com, and he is regularly quoted on CNBC's Jim Cramer's TheStreet.com.

The 40-year-old Portland native is vice president of Becker Capital Management, a local wealth management company with 28 employees that specializes in both individual and institutional accounts. When he's not tracking the region's technology companies, Becker is helping manage the firm's portfolio that includes more than $2.5 billion in assets.

"I cover hardware and software companies, and also the semiconductor companies: Intel, HP, Microsoft, Mentor Graphics, RadiSys, TriQuint, FEI, and Pixelworks," explains Becker. Becker Capital currently owns positions in Intel, Microsoft, Lattice Semiconductor, and Mentor Graphics.

"I appear on the stocks they have me pegged for. I comment on HP and Intel and make general technology comments. My commentary is centered around quarterly earnings. They have me on after Intel reports—to get insights from someone who owns some shares and what they are thinking." In November 2004, Becker debated a hedge fund manager on "Bloomberg" who was short HP, versus Becker who had a long position in HP. "'Bloomberg' likes to have analysts on who actually own shares in a particular company. They want their commentary to be from the buy side."

So with all Becker's experience, you'd think analyzing a 30-page quarterly earnings report would be a breeze for him. "It depends on the size of the company," explains

Becker. “Who it is matters. If they missed their earnings by a big margin it will attract more people on the conference call. These calls can last for hours. The calls I sit in on are a combination of stocks we own, stocks we are looking at, and companies that are competitors to ours.”

Appearing on international financial television doesn’t come without pressure. “It can be nerve-racking in that you get a press release from a company like Intel, and there’s a lot of detail that happens on conference call. You are going through a 30-page financial release, and then you’re going on live TV right after to talk about it. That will set anybody’s heart beating.”

Becker doesn’t just rely on quarterly conference calls to analyze the technology sector. “We track the number of companies that we see face-to-face. We don’t do conference calls so much, everybody does that. What makes Becker Capital unique is that we focus on research,” he says. And that means lots and lots of travel. “We see over 500 companies a year face-to-face.”

The change in communication technology has allowed Becker, and other researchers, to keep up to date to with so many companies, so often. “Technology for our business has improved dramatically in the last six or seven years. We can go online and see financial statements, SEC filings. We pay a service that emails us when a company files a 10Q report, has an insider transaction. When we are on a conference call we get a transcript of what they are saying as they speak.

“Portland has a very good investment community on the institutional side,” says Becker. He sees the city as an emerging West Coast financial center. “When companies come around and do road shows, they know Portland has a very good small cap community. We have Mazama Capital which has six billion under management, there’s us, Tygh Capital, Ferguson Wellman, and others.”

Becker knows that Portland isn’t the finance center that San Francisco is. “We don’t have their resources,” but he’s proud to see an emerging cluster taking root in his hometown.

**Rod Moore**

*Ambition and community service fuel the region’s future*

“Not many people remember who their high school graduation speaker was,” says 75-year-old Portland stockbroker and Gresham High grad Rod Moore. “1948 was the year of the big primary in Oregon—Dewey vs. Stassens. We had both of them at our high school.

“Our graduation speaker was Harold Stassens. He was the boy wonder governor of Minnesota, elected at age 31. Dewey beat him in the Oregon primary.” The following fall, President Truman would defeat Dewey in a historic presidential upset, but Dewey would carry Oregon.

If Rod Moore can remember who his high school graduation speaker was, it is not surprising because he has been pretty focused on three things in his life—his family, his business and his community.

Two of his focuses, family and business, merge every day. Moore teamed up with two of his children, Greg and Laurie, 25 years ago and today they manage more than $160 million in client assets at the firm of Wedbush Morgan Securities, which they recently joined.

Additionally, Jim Moore, Rod's other son, worked in the family brokerage business for almost a decade before attending medical school at OHSU and becoming an anesthesiologist at St. Vincent's.

For much of their careers the Moore team worked at the firm of Adams Hess Moore & Company, of which Rod Moore was the president. In 2000, the firm merged with Strand Atkinson Williams & York, a subsidiary of Umpqua Holdings Corporation.

One of the reasons Moore and his family have been one of the area's most respected names in the industry has to do with his own understated style. "I was honest, and I was a low pressure guy," says the Korean War veteran and OSU graduate about his success.

Moore enhanced his reputation through decades of public service. "I didn't play golf," says Moore good-naturedly, "I did community service." And lots of it.

Moore was on the Beaverton school board for ten years, president of the Oregon School Board Association, and president of the Western School Boards Association, a region that reaches from Alaska to Hawaii. Beyond school service, Moore and his wife Jean have been longtime leaders at the Washington County Historical Society, and he is a past president of the Beaverton Rotary.

Moore, who now sits on the board of Reser's Fine Foods, is bullish on the country and our area but worried about how negative media can be, both nationally and locally, in particular the *Oregonian*. Moore believes the reason the market hasn't done as well as the economy in recent years Moore believes "is because there has been so much negative information about the country and its policies, and its business facility. People slow up their investments, sit back and wait for something to happen and the whole process slows down.

"If you go by the daily paper or six o'clock news, you will not be successful because every day there are several reasons you should not invest. 'Not today, sonny. You shouldn't invest because things are going to hell quickly.' I can go back to guys I called on the first day I was in the business who told me, 'Well, the government has too much debt. We can't go anyplace anymore, and there are all kinds of government problems.' Well, those problems are still there, but we certainly have done well during that time. We have been a very 'given' generation. We have probably been given more by God than we deserve."

But Moore insists you’ve got to have the right conditions to make people happy. “It takes a while. You can’t turn the ‘bellyachers’ into ‘smilers’ over night, but once they get going…the key is to have the economy moving fast enough so that raises in payroll and such benefit everybody up and down the line. The expansion needs to be a long enough period to get everybody involved. Short, choppy swings don’t help poor people because they can’t move fast enough to get in and out of choppy markets.”

Currently, Moore likes the looks of energy stocks: “[They] have been good performers and will continue to be.” He also favors stocks of companies that have no contractual problems with unions and those in the electronics and medical industries. Moore is especially interested in following medical companies involved in new DNA research. When you follow the medical industry, says Moore, “what you see are people imbued with the spirit to develop new technologies. It is very interesting.”

As for Northwest companies, one of Moore’s historical favorites has been Nordstrom. “Nordstrom started out as a little shoe shop, but it has done the kind of thinking that has brought them to the top. Nordstrom has gone through cycles—the changing of dress, personal tastes. They have had a couple of hiccups and landed not quite in the right position. They have had to slow down and straighten it out, which they have been very good at doing.”

In spite of the last several years of a mediocre economy, Moore remains bullish on the region’s future. Fairly bullish. “I am optimistic because I know the system can work well. We have the people, the climate, the raw materials, the ambition. Put all those things together and it will be good for all of us.” Moore’s confidence in the future comes from his own past experience. “I have always done better than I expected to do. Everybody should be positive, expect to do well, and then if you do better than that, great.” And that’s what happened to Moore.

But Moore knows that confidence in the future doesn’t come without a price, and that price tag is lots and lots of community service. “Each of us as individuals have responsibilities. The country and world won’t work unless we are aware of what is going on around us. We need to be aware of what’s happening in our community and how to improve it on the basis that it will be better for everybody. That’s the attitude I think everybody has to get in on.”

## William Rutherford

*From Main Street to Wall Street and back again*

There probably isn’t a person in Oregon who has a broader perspective on business, and what it might take to solve Oregon’s economic problems than former Oregon state treasurer, William Rutherford.

There was a time when the 67-year-old Rutherford was on the fast track to be governor of Oregon. His life has taken many turns: He grew up in McMinnville; attended the University of Oregon; graduated from Harvard Law school; served in the military; lived in Europe for two years; returned to Portland to run a financial firm; held a seat on the Pacific Coast Stock exchange; returned to McMinnville after his father's premature death to run the family retail business (13 retail stores in McMinnville and the upper Willamette Valley); was elected several times as the community's representative to the Oregon legislature; and in 1984, during Governor Atiyeh's last term, was elected Treasurer of Oregon. He was later elected Chairman of the Oregon Investment Council, managing the state's $14 billion PERS retirement fund.

The sudden shift in 1970 from the world of finance to running the family business was never seen as a sacrifice by Rutherford. "I loved the retail business. I grew up in retail, and I enjoyed the practice of law. We had a bucolic, a lovely life on the 20-acre farm. It was good place to raise kids, and I always loved McMinnville," recalls Rutherford. "I was the president of the Chamber of Commerce, chairman of the downtown redevelopment commission, and people said I should run for the legislature in '77."

Then after a decade in politics, Rutherford made another change. He turned away from his political career and moved to New York City. For Rutherford, the decision to change was the most difficult of his life, but he had a son admitted to Stanford and a daughter admitted to Yale.

"I went into the Treasury office, and my first year salary was $42,000. I was being paid less than municipal court judges. The tuition for my children was almost as much as my take home pay. As much as I enjoyed public life, it becomes such a financial sacrifice that you can't justify it any longer. People were upset that I left, but I had no choice. As much as I love the state, I had a duty to my children, and the duty to my children came first," says Rutherford, who was a single parent for much his children's lives.

So after eight years on Wall Street and with his financial future secure, Rutherford decided to move back to Oregon in 1994 with his new wife, Karen Anderegg, the former president of Clinique and editor-in-chief of *Elle* magazine. And for most of the last decade, Rutherford has been managing assets for private accounts.

Today, Rutherford manages about $25 million in assets for about 25 clients, with the help of only one employee. "We grew the portfolio by nearly 20 percent last year," says Rutherford, "and we added a number of new clients."

"One of the real advantages in my life," says Rutherford, "is that I operated stores on Main Street and then went to Wall Street and saw how the global economy worked. Our firm had money in 22 international markets. I was chairman of a NASDAQ-traded company, and I also had a principal role in the turnaround of Europe's 10$^{th}$ largest company.

“My broad experience has given me a tremendous amount of information—a tapestry to make my investment management better. I see and understand trends better than most, and that enables me to make good stock selections, which is why our portfolio returns are as strong as they have been.”

Rutherford’s business now is the business of separate accounts, creating personalized funds for individuals. Morningstar, a database service that rates separate accounts for *Barron’s* magazine, has recently given him a 4-star rating out of five.

Lawrence Strauss of *Barron’s* writes about this booming industry in their February 20 cover story: “Separately managed accounts are one of Wall Street’s hottest products. Reason: They can be adapted to an individual’s needs and cut taxes, too. In the financial world, think of the typical mutual fund as your friendly, neighborhood diner and the separately managed account—one of America’s fastest-growing but least understood investments—as Chez Panisse.” These accounts resemble mutual funds, but with some key differences: The minimum is usually much larger than required by a fund; the fees are generally higher; and separate accounts provide direct ownership in the securities in their portfolios. In contrast, a mutual fund investor buys a stake in an entity that owns a basket of stocks or bonds.

Separate accounts let a manager make custom accounts for individuals—something in which Rutherford excels. And it’s not just Morningstar that has noticed. InvestorForce rates Rutherford among the top five percent based on ’05 performance. And Informa Investment Solutions ranked Rutherford the seventh best All Cap Growth manager during a three-year period from 2003-05.

Rutherford’s ability to see trends isn’t limited to stocks. He has also seen a trend in the economic condition of the state of Oregon in the last decade that worries him.

“When I moved back here in ’94, I was calling my friends in New York. I told them that there was more money being invested in Oregon right now than Taiwan was investing in China. It was unbelievable because it was a state that was still under three million people.” And in Rutherford’s mind, this was a tremendous opportunity for Oregon.

“Oregon has always struggled because it is a resource-based state, and we have been, in effect, a colony of California and other states that extracted resources from us. Later we developed technology, which gave us a more diversified base. Oregon has never been as prosperous as it was in the late ’90s, at least not in my lifetime.

“In the ’90s Oregon did have a lot of money. We did have a lot of prosperity, but state government failed to invest in the infrastructure that would carry us beyond that economic expansion, by that I mean in schools, roads, highways, and our parks,” explains Rutherford. “The money was simply spent and gone, and now it is absolutely gone. Where did the money go? Drive West Burnside and it is nothing but potholes. You’d think you were in Baghdad.

“There is no leadership in the state taking us into the global economy, and Oregon is sinking into emerging country status,” laments Rutherford.

And he is skeptical about the state’s investment in light rail. “A train has got to work. Period. If you lived here before the transit mall was put in and saw how vital those downtown stores were—and busy, yes, that’s the merchant in me talking. People walking by your front door is what makes businesses work. Now we have street traffic, jugglers, and the businesses are dying.”

Beyond transportation, Rutherford sees taxes as a major hindrance to prosperity. “Our tax situation is very discouraging to business, and now the mayor of Portland has proposed more taxes. I said when I was in the legislature that people actually have choices, and that they can move those businesses.

“It’s not much different than the corner dry cleaner. If you’re not getting good service or if the price is too high, you will probably go to the other dry cleaner. And in this state we see it between Oregon and Washington. With the amount of people moving to Clark County…we built Clark County. The people at the top in Oregon clearly don’t understand that additional taxes are discouraging to business. We have such an anti-business bias in Oregon, not just from the government, but, frankly, I would put the *Oregonian* in that category.”

Rutherford believes that the state needs a sales tax but is skeptical, like many others, that it can be achieved in Oregon. Having a sales tax, he believes, is absolutely critical to competing in the global economy. But until a sales tax happens, he has another suggestion—resuscitate a law he got passed in the legislature in the late 1970s that says income tax brackets in Oregon be indexed. The law was deferred for two years and later repealed, or it would have had a major impact today.

“If we went back to the proposal I passed in 1979 to index income taxes, even if we started this now, it would be helpful,” says Rutherford. “It is a small start, but it would set a tone that we are now starting down a path to make some drastic changes. Government itself has to be more efficient, more responsive to business.”

Rutherford thinks that if Oregon could change its tone it could become a finance center on the West Coast…and a telecommunications center, and a food center, and a natural resource center, as well as continuing to be a footwear and outdoor apparel center. But growing these industries will take a different mindset by the government.

Rutherford tells an anecdote, which he believes describes the sentiment here all too well. “When Nike got big, they got trashed by state and local government,” starts Rutherford. “They were practically trying to run Phil Knight out of town. Karen and I were flying back to New York all the time, and we used to get off the plane and see the latest *Oregonian*, which would have an anti-Nike headline. It was a joke…we would say to ourselves, ‘What are they after Nike for today?’”

Rutherford, for his part, wants only the best for Oregon, but until anti-business sentiment changes, he will pass the time growing clients' separate accounts by a whopping 20 percent a year.

**Chet Paulson**

*Green is good: Environmentally and financially*

Chet Paulson, founder of the Portland-based and NASDAQ-traded Paulson Capital Corporation (PLCC), has always been forward looking – consider the time twenty years ago when he put up the seed money to start cable television's Financial News Network, the precursor to CNBC.

"I had done an IPO for a small motion picture company in Atlanta," says Paulson, "and a couple of guys in L.A. saw the offering. They had a studio in Santa Monica that did children's shows. We were having an ongoing dialogue about narrow casting, what was going on with Ted Turner, how TV was changing and about a Channel 22 (KWHY-TV) financial program based in L.A.

"They wanted me to finance their children's programs," continues Paulson, "but I didn't think that was for us. But the one guy was just a promoter, and he hated to give up this potential source of funds. He said to me, 'Damn it, Chet. Is there anything you will raise money for?' and I said, 'Yes, if we took Channel 22 national and did it really first class and made it a real financial news network, I would be interested in that.'

"And that's what we did. FNN was based in Santa Monica. The first money in was ours and then Merrill Lynch came in. We ran advertisements on FNN. For our firm, it was great. It just made sense because the narrow casting thing made sense to me. I believed it would be of interest to others in the financial community. We were pretty much right on."

In 1982, with Paulson's crucial funding, FNN began running 12 hours of business programs every day across the nation. The station lasted for more than a decade and was replaced in the 1990s by CNBC, a cable of affiliate of NBC.

Today, Paulson Investment Company, a wholly-owned subsidiary of Paulson Capital Corp., is the Northwest's largest independent brokerage firm, with 2004 revenues of more than $32 million and offices in a dozen states. Last year, the *Seattle Times* rated Paulson Capital Corporation the ninth best publicly run company in the Northwest. The company annually hosts the Westergaard Smallcap Conference in November at the Waldorf-Astoria Hotel in New York City. Last year, CNBC's Larry Kudlow keynoted this prestigious event.

But there's a lot more to the company than buying and selling stocks and bonds. Paulson Investment Company is also the national leader in public offerings of small cap growth companies, and this is the area that Paulson has been specializing in for more than thirty years.

“We really have established ourselves in that niche,” says Paulson, who is a graduate of Portland’s Franklin High. “In our area of expertise we are one of the top two or three, if not the top, in doing small public offerings. We’ve done it for a long time, made lots of mistakes, and we’ve had a lot of big winners.”

Some of his big winners in the last ten years are Cree Research (technology), AVI BioPharma (biotechnology), Evergreen Resources, GMX Resources (oil and gas), and Charles & Colvard (consumer).

“We see 100 deals for every one that we do. We see a lot of people,” says Paulson about the research and work that goes into choosing the projects. “We recently went to a conference in Newport Beach, a one day meeting of the Southern California Investment Association. There were a hundred investors there. Seventeen companies gave presentations. Two of the best presentations were our companies. They were very well received.

“Early money is the hard money. Identifying the winners early is harder than later on, but that is where we have a value added component. We do small public offerings, and we do it on an economic basis,” he says.

That may be why his company is sought after these days. “If you want to get a deal done come see us, because if we decided to do it, it will happen. We have a reputation of somebody who can really [raise capital]…now we may value your business a little more conservatively, but when we say we are interested in how the investor does, we mean it. We try to do a little blocking and tackling for the benefit of the investor. The guy who has to do well is the person who writes the check, sometimes they’re forgotten about.”

Paulson guides his team of analysts in judging the hundreds of deals that come across their desks. “We like proprietary technology,” says Paulson. “We prefer to look at something that really has big opportunities. We’ve always had a national focus. We are not industry specific. We are not limited by geography. We take on companies that are too small for a major investment bank to do, except on a private basis. So we identified a segment of the market where we had no competition.”

These days Paulson is focusing his considerable talents in foresight on environmental issues. “A couple of years ago we made a commitment to green companies.” Paulson says his commitment came from the book “The Hydrogen Economy” by Jeremy Rifkin. That book led to his company doing an IPO for a solar energy company based in California called DayStar Technologies.

“In the early stage we thought we would take the offering to Europe and knock their socks off because they were ahead of us on the green economy, but we got a big yawn. It took everything we had to get it done.” DayStar went public in February 2004.

But times change quickly and a couple of years have made a big difference in investment opportunities for green companies. “Now three or four of our five most recent deals that we are doing are for green-oriented businesses. We are now seeing what we were looking for two years ago.

“People come to different conclusions at different times,” Paulson says, explaining his interest in an industry about which many remain skeptical. “When I read Rifkin’s book, it became evident to me that, first of all, we are creating a lot of environmental problems and that someone is going to have to solve all those problems. So who is going to be?

“Well, it’s going to be mostly small businesses with the help of government to provide funds, and to provide special laws and legislation to nurture some of these companies. But, by and large, like anything else, if we are going to have a solution, it will be small and medium-sized businesses that are going to find it. And in finding these solutions, there will be enormous opportunity.”

Paulson’s green strategy plays well into the recent declaration by the President that Americans are addicted to oil. “It was good to hear that the President was aware of the problems, but we are not going nearly far enough. In my opinion what we need in the President and in the Congress are people who really understand what these long term problems are and address them in a more dramatic fashion.”

One of the problems Paulson is referring to is global warming. “There’s an accumulation of data points to indicate that it is actually happening. It is kind of scary, because once you get something like this started in the world how does it stop?

“Progress will be in fits and starts,” says Paulson about the technologies—ethanol, hydrogen, natural gas—that may lead the U.S. to independence from Middle East oil. “It will be a crazy quilt blanket of technologies. What happens in one depends on what happens in another. But we ought to take this phrase ‘energy independence’ and find a way to get there as quickly as we can. It would help us not only environmentally, but we wouldn’t need to be so active in the Middle East.”

For Chet Paulson encouraging green companies is just a natural extension of his fascination in solving problems through helping productive companies get started. There’s seldom a dull moment. “There are a lot of nuances, subtleties to this business, and the thing I am always amazed at, as many transactions as we have done, that there are still things that happen that you just can’t believe. You are always problem solving because you never get it exactly right, but that is part of the challenge.”