ANNUAL INVESTMENT UPDATE
WORTH KNOWING™

Perkins Coie Trust Company

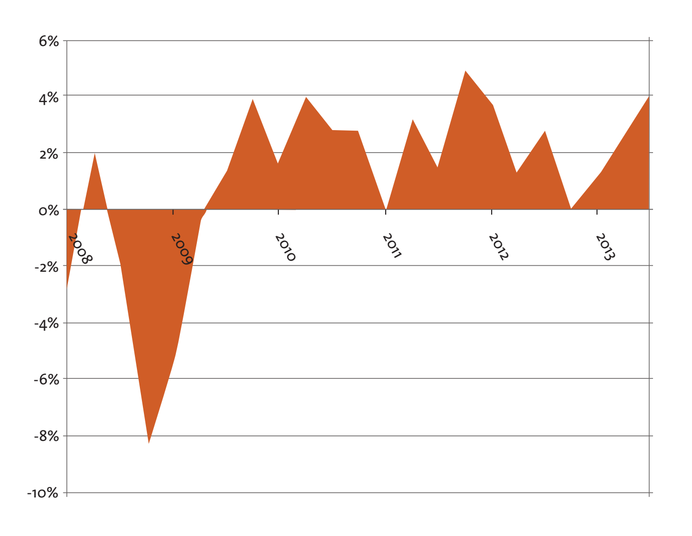
ECONOMIC REVIEW & OUTLOOK

December 31, 2013

KEY ECONOMIC RELEASES					
EMPLOYMENT	**As of**	**Expected**	**Actual**	**Prior Period**	**12 Months Ago**
Unit Labor Costs (3rd Quarter)	DEC	-1.4%	-1.4%	0.5%	-1.9%
Unemployment Rate	DEC	7.0%	6.7%	7.0%	7.8%
Change in Non-Farm Payrolls	NOV	185K	203K	200K	155K
INFLATION (year over year)	**As of**	**Expected**	**Actual**	**Prior Period**	**12 Months Ago**
Consumer Price Index	NOV	1.3%	1.2%	1.0%	1.8%
CPI Ex Food & Energy	NOV	1.7%	1.7%	1.7%	1.9%
Producer Price Index	NOV	0.8%	0.7%	0.3%	1.5%
HOME PRICES (year over year)	**As of**	**Expected**	**Actual**	**Prior Period**	**12 Months Ago**
S&P/Case Shiller Top 20 Mkts.	OCT	13.5%	13.6%	13.3%	4.3%
MANUFACTURING ACTIVITY	**As of**	**Expected**	**Actual**	**Prior Period**	**12 Months Ago**
Capacity Utilization	NOV	78.4%	79.0%	78.2%	78.4%
Leading Indicators	NOV	0.7%	0.8%	0.1%	-0.2%
GDP Annualized (3rd Quarter)	DEC	3.6%	4.1%	2.5%	3.1%

Source: Bloomberg

REAL GDP QUARTER OVER QUARTER SEASONALLY ADJUSTED ANNUAL RATE



Source: Bloomberg

Welcome 2014! We want to thank you for continuing to support the investment strategies we have in place to protect your wealth. The total return in the S&P Index in 2013 of 32.4% now has the index up an astounding 173% since the low in March 2009. The market climbed the wall of worry at the beginning of the year and came out on top! We start the new year with a more robust economic growth profile and our expectation is a solid 3% trend growth rate in the U.S. economy. The upticks in consumer confidence and home prices continue to fuel the recovering economy. If this continues, there could be concerns that the Fed will move to "tightening" from "tapering," and a possible shock to the markets this year. We will continue to monitor the situation in the economy, as the Fed wants inflation, and what that means to your portfolio. On the upside, we will be looking for an increase in business confidence and the fading of the fiscal drag. We believe global growth will quicken more than anticipated as well. Even if we pause in 2014 with mid-high single-digit returns for the S&P, we expect 2015 to push higher still. We hope this year brings health, happiness and prosperity to you and your family.

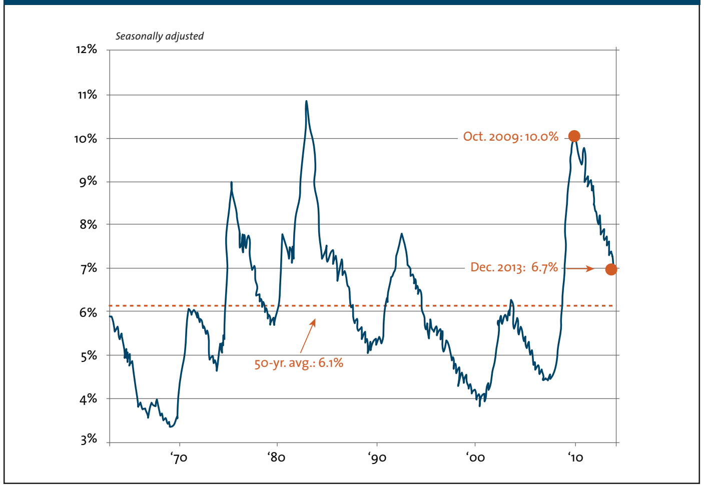
2013: From recovery to relief. Though the financial crisis of 2008 is now five years past, most economists speak of the current growth in the economy as part of a "recovery." In 2013, however, the slow but steady employment growth, low inflation, rising home prices, and 2+% GDP growth felt less like a recovery and more like a normal operating environment. Some recent signs of market strength include a better-than-expected 4.1% increase in U.S. GDP in the 3rd quarter, a possible end to Europe's prolonged recession, and some indications that Japan is winning its battle against deflation. Also, in Washington D.C., the House Republicans and Senate Democrats struck a two-year budget agreement that lessened the possibility of more policy shock. The Federal Reserve expressed its confidence in the economy by tapering its monthly bond-buying program modestly from $85 billion to $75 billion. Improved investor confidence sent stocks soaring as money flowed into risky assets.

At Perkins Coie Trust Company, we believe it is a priority to have a current financial plan, maintain a strategic asset allocation strategy and employ tax awareness in the investment process. We also believe that investors must focus on fundamentals and diversify their portfolios by asset class, style, size and geography to manage market risk. We invite you to contact us to learn how we can help you achieve your financial goals. **For more information regarding our trust, investment and planning services, please contact us toll-free at 888.720.8382 or locally at 206.359.6462 or visit our website at trust.perkinscoie.com.**

ECONOMIC REVIEW & OUTLOOK

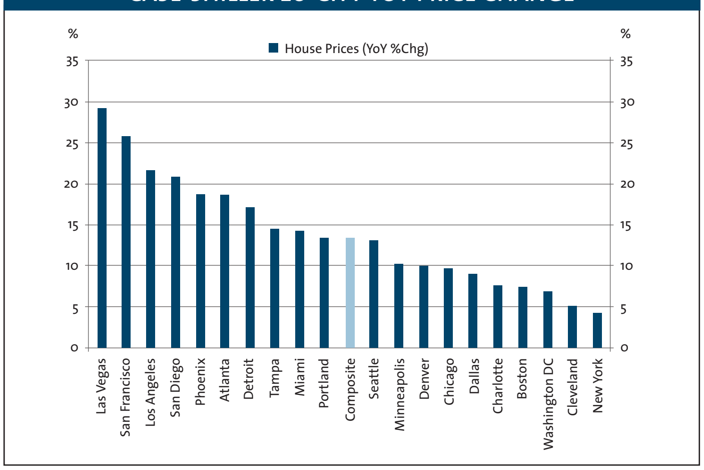
December 31, 2013

U.S. UNEMPLOYMENT RATE



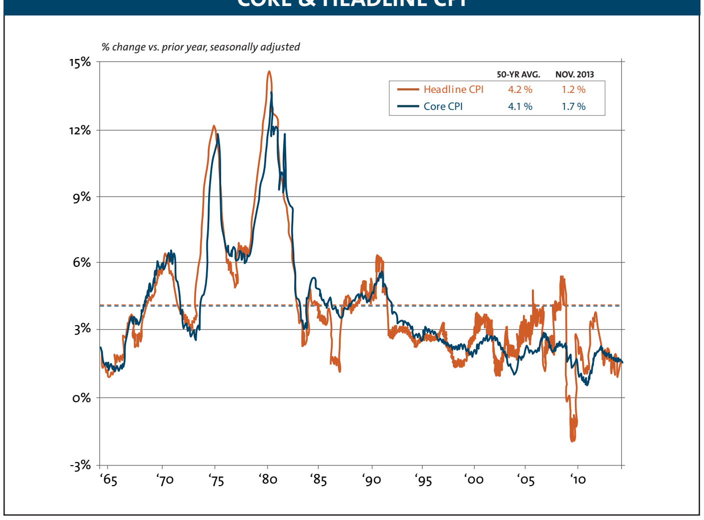
Source: J.P. Morgan

CASE-SHILLER 20-CITY YOY PRICE CHANGE



Source: Goldman Sachs

CORE & HEADLINE CPI



Source: J.P. Morgan

Unemployment rate on the decline. One of the key factors in the Fed's decision to taper has been the steady drop in the unemployment rate. The unemployment rate in the U.S. declined from 7.8% in December 2012 to 6.7% in December 2013. Despite a moderate reduction in quantitative easing, the Fed has promised to "maintain a highly accommodative monetary policy for as long as needed." While the U.S. has gained a significant number of jobs in recent years—7.5 million since 2010—many have been in low paying occupations, including personal care, food preparation, and other restaurant and retail-oriented jobs. The labor force participation rate—Americans who are working or actively looking for work—is now 62.7%, the lowest level in nearly 36 years. A smaller labor force generally means slower economic growth.

Home price growth likely to slow. U.S. home prices rose in October by 13.6% from a year ago, the most in seven years. All 20 cities showed a year-over-year gain, led by a 27.1% advance in Las Vegas. While this has been a big boost to the economy, the market has been dependent on all-cash buyers including wealthy foreigners and institutional investors looking for rental properties. The surprisingly strong housing market should cool down over the next year due to rising mortgage rates and decreasing affordability, but it should stay in positive territory.

Inflation held back by energy and commodities. The consumer price index was flat in November and rose just 1.2% year-over-year. Inflation is stuck at a four-year low mainly due to cheaper energy and commodity prices. U.S. crude oil production has been booming and is expected to approach the historical high achieved in 1970 of 9.6 million barrels per day by 2016. Increased production of oil and gas will enable the U.S. to sharply reduce its use of imported fuels. The reduced dependence on foreign oil and the surge in jobs created in the energy sector should provide a boost to GDP for years to come.

Outlook is positive. We expect global growth to pick up modestly in 2014. Although the Fed has begun its long-awaited tapering, policy remains accommodative. Other major economies, including those in Japan, China, and most of Europe, continue to make progress with programs designed to promote growth. The new year should look much like the previous two, with low inflation, slowly rising interest rates and economic growth near 3%.

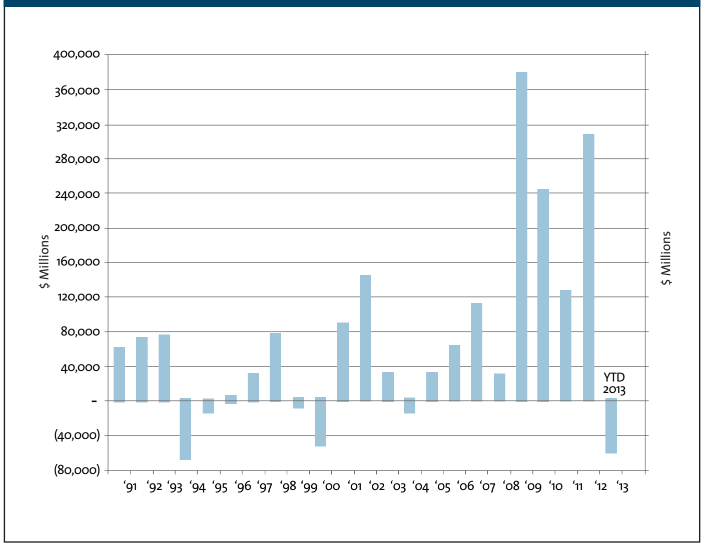
BOND MARKET REVIEW

December 31, 2013

BOND MARKET RETURNS	Last Quarter	12 Months	Last 3 Years
Barclays Intermed. Gov/Credit	0.0%	-0.9%	2.9%
Barclays 10 Year Municipal	-0.1%	-2.2%	5.1%
Barclays High Yield	3.6%	7.4%	9.3%
Merrill Lynch 90 Day T-Bill	0.0%	0.1%	0.1%
Treasury Infl. Protected Sec.	-2.2%	-8.8%	3.4%

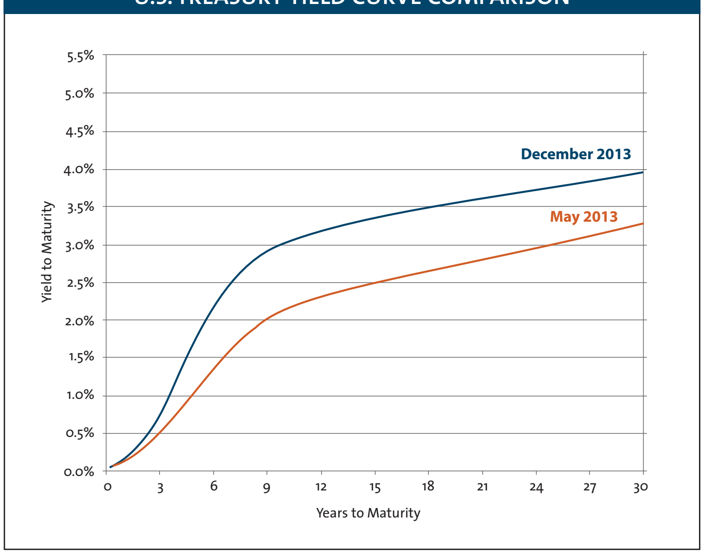
Source: Vanguard, Bloomberg. Vanguard's Inflation-Protected Securities Fund used as a proxy for Treasury Infl-Protected Sec

ANNUAL BOND MUTUAL FUND FLOWS



Source: Citigroup

U.S. TREASURY YIELD CURVE COMPARISON



Source: Bloomberg

Interest rates jumped in May, leading to losses. Most bond sectors were in negative territory for the year following a nearly doubling of the 10-year Treasury yield from 1.6% in May to 3% by the end of the year. The worst performers were Treasury Inflation Protected Securities (TIPS) and long-duration Treasuries down 8.8% and 12.7% for the full year. High-yield bonds, which tend to be more correlated to stocks than bonds, were an exception with a gain of more than 7%. The Treasury will begin to auction floating rate notes in 2014. The securities will have maturities of two years, and the coupon rate will be linked to the yield on the weekly three-month Treasury bill auctions. These securities make sense for investors who expect short-term rates to rise faster than the market expects.

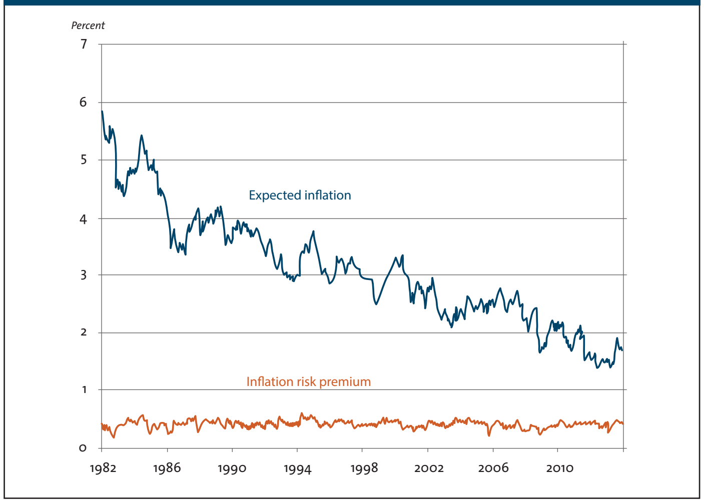
Money began flowing out of bond mutual funds in 2013. Between 2008 and 2012, over $1 trillion flowed into bond mutual funds. Investors were looking for safety and income, and the steady decline in interest rates provided solid positive returns for bonds of all types. By mid-2012, bonds actually outperformed stocks over the prior 10-year period. Between May and December of this year, the trend reversed and investors pulled a total of $172 billion from bond mutual funds. Of that amount, $41.1 billion came from one fund alone, the PIMCO Total Return Fund. This was the most ever redeemed from any mutual fund in one year, according to Morningstar estimates, as investors saw signs that the three-decade rally in bonds may be over.

Municipal bonds. Municipal bonds also lost ground for the year, after four consecutive years of gains, as coupon income was not enough to offset the drop in bond prices. Individual bonds and bond mutual funds with short average maturities performed better than those with long maturities. The Barclays 10-Year Municipal Bond Index, for example, lost 2.2% while the Barclays 5-year Municipal Bond Index gained 0.81%. The muni market also had to contend with negative headline news regarding Detroit and Puerto Rico. The city of Detroit filed for bankruptcy in July—the largest municipal bankruptcy filing in U.S. history by debt, estimated at $18 to $20 billion. On a positive note, Jefferson County, Alabama, which declared bankruptcy in 2011, successfully sold almost $2 billion in new bonds in November after receiving an investment grade rating by S&P.

BOND MARKET OUTLOOK

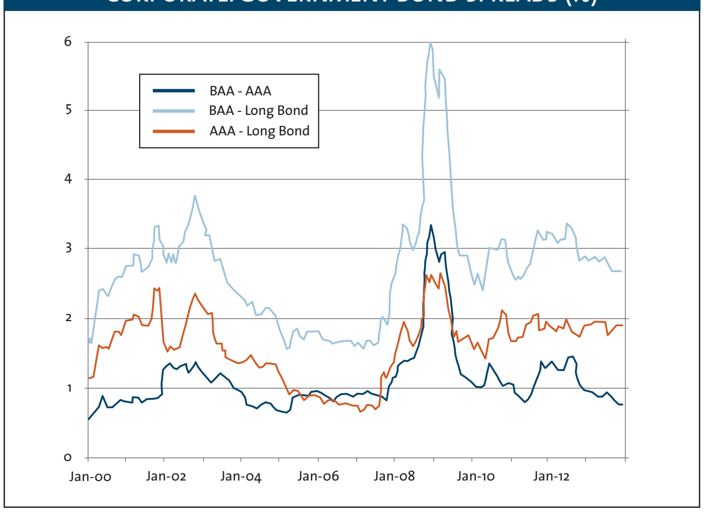
December 31, 2013

EXPECTED INFLATION



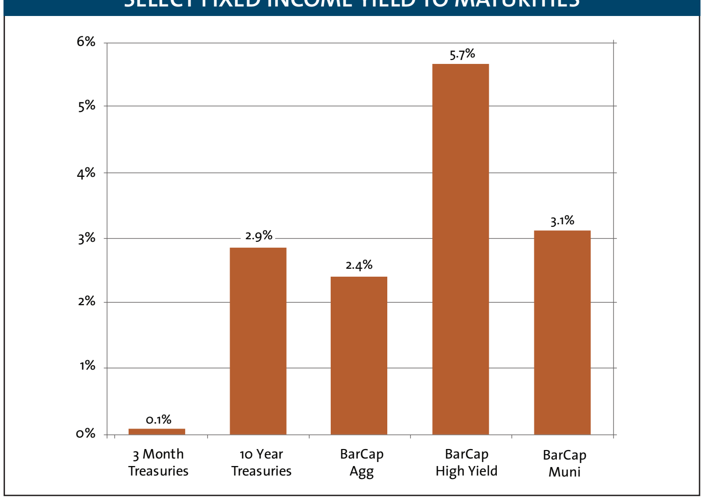
Source: Haubrich, Pennacchi & Ritchken

CORPORATE/GOVERNMENT BOND SPREADS (%)



Source: Argus

SELECT FIXED INCOME YIELD TO MATURITIES



Source: Northern Trust

Evaluating risk in the bond market. A year ago we highlighted two major risks for bond market investors. The first was the risk that money would flow out of bond funds and into riskier assets if investor confidence improved and the global economy strengthened. The second was that bond prices could decline due to rising inflation expectations. The first happened in a big way in 2013, and the second may still be far out in the future. There is currently very little upward price pressure in the economy, reflected in both the Producer and Consumer price indices and in inflation expectations. The Federal Reserve Bank of Cleveland reports that its latest estimate of 10-year expected inflation is just 1.75%.

Most bond sectors are still not cheap. Even after the decline of the past eight months, there are few bargains in the fixed-income markets. The yield on a typical AAA-rated municipal bond with a five-year maturity, for example, is just 1.36%, slightly below the rate of inflation. With rates likely to rise and inflation dormant, we recommend minimal exposure to Treasury Inflation Protected Securities (TIPS) and long-dated government bonds. The corporate bond sector, however, still looks relatively attractive. The spread between corporate bonds and 10-year government bonds in November was 191 basis points, well above the 50-year average of 86 basis points. The higher yields and coupons in the corporate bond sector will provide a cushion against rising interest rates and default rates will remain low given solid profit growth and high margins. Holding high-quality bonds in a diversified portfolio can help minimize risk and moderate equity volatility.

Muni bonds looking better. Municipal market fundamentals are sound. Municipalities can avoid defaults and close budget gaps by lowering expenses and raising taxes and choose to do so in order to reduce the cost of future borrowing. We are mindful of concentration risk and would avoid areas of the country with big pension problems. The municipal bond market includes approximately 50,000 issuers and roughly two million outstanding issues so there is plenty of opportunity. The muni yield curve steepened in 2013, rewarding investors for buying and holding slightly longer maturities, especially as cash yields are still close to zero. Muni bonds will look even more attractive relative to treasuries as investors begin to feel the impact of higher taxes.

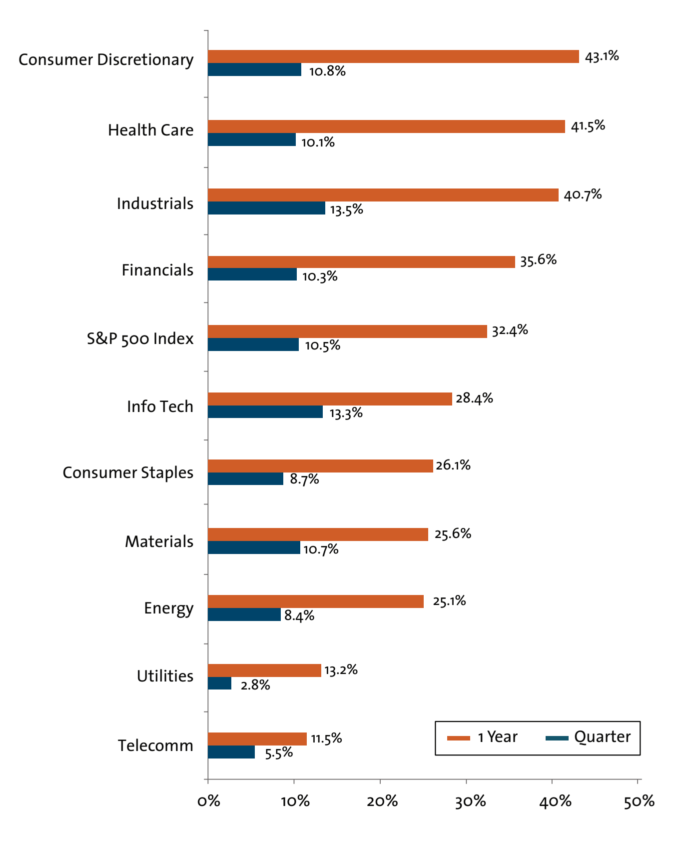
STOCK MARKET REVIEW

December 31, 2013

STOCK MARKET RETURNS	Last Quarter	12 Months	Last 3 Years
S&P 500	10.5%	32.4%	16.2%
Russell 1000 Growth	10.4%	33.5%	16.4%
Russell 1000 Value	10.0%	32.6%	16.1%
S&P 400 Midcap	8.3%	33.5%	15.6%
Russell 2000	8.7%	38.8%	15.7%
MSCI Developed (EAFE)	5.8%	23.6%	8.9%
MSCI Emerging Markets	1.8%	-2.6%	-2.1%
Alternative Asset Returns			
DJ-UBS Commodity	-1.1%	-9.5%	-8.1%
MSCI World Real Estate Index	-1.6%	3.5%	7.9%

Source: Bloomberg

S&P 500 RETURNS BY SECTOR FOR 2013



Source: Strategas

Equity markets surprised investors in 2013! The S&P 500 Index surged 32.4%, more than double last year's return and up 173% since the start of the bull market in March 2009. Smaller company stocks soared further, with the Russell 2000 gaining nearly 39% as investors' appetite for risk remained strong. In international markets, renewed confidence in the stability of Europe's economy and "Abenomics" creating greater prospects for Japan generated a gain of 23.6% for the MSCI EAFE Index. Emerging markets, however, faced challenges including stricter monetary policies in many EM countries, fewer exports and slowing growth in China. The MSCI Emerging Markets Index lost 2.6% for the year. Commodities struggled as global output for fuel, minerals and agricultural products increased, while world demand softened. The real estate sector fell out of favor with the upward turn in domestic interest rates and the MSCI World Real Estate Index rose only 3.5%.

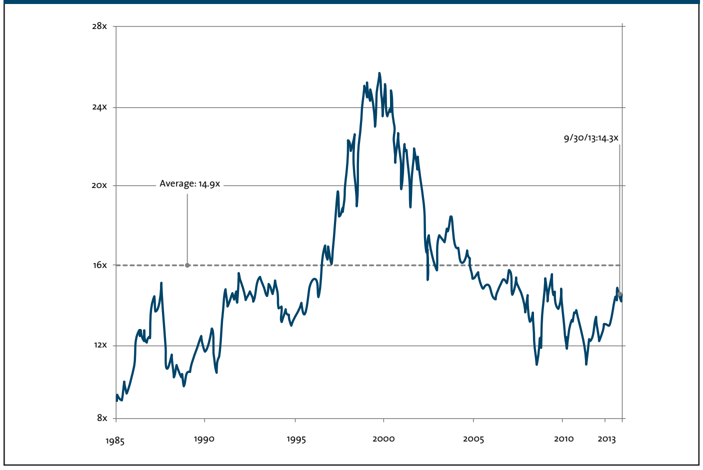
Market strength was broad-based as all but a few industries produced positive returns. The top three performing sectors of the market, all gaining over 40% in 2013, were Consumer Discretionary, Health Care and Industrials. The most defensive sectors lagged behind but still pulled in double-digit returns with Telecom rising 11.5% and Utilities gaining 13.2%. Talk of the Fed tapering bond purchases generated some downside volatility mid-year, particularly for high-yield stocks which had drawn investors seeking income in the low rate environment. However, banks and insurance companies rose on the news as higher rates will benefit profit margins. In the second half of 2013, further gains followed throughout the market as investors cheered the Fed's continued commitment to support economic growth.

We believed P/E multiples could expand further in 2013, and they did. Continued accommodation by the Fed and confidence in the economic recovery resulted in an 18% expansion of the P/E multiple for the S&P 500. We expected large dividend growth stocks to outperform small, lower-quality stocks. However, continued monetary accommodation created strong appetites for riskier assets including small, growth companies. Lastly, while the fiscal problems are far from solved, the budget deficit has improved and budget talks have progressed. Investors have benefited by staying the course with their investments.

STOCK MARKET OUTLOOK

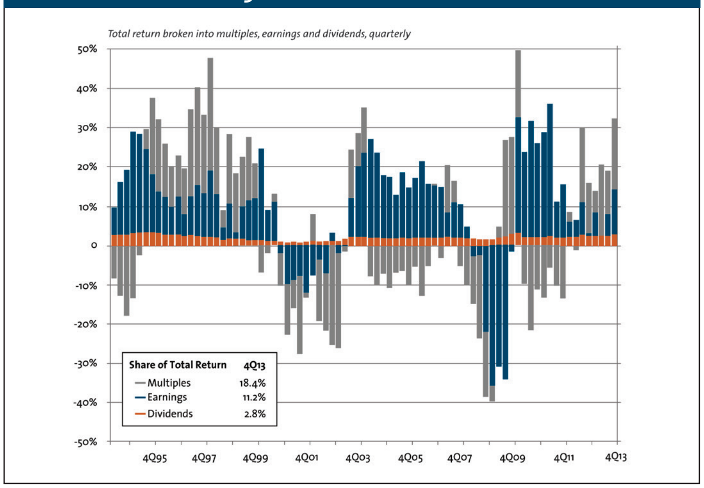
December 31, 2013

S&P 500 FORWARD P/E RATIO



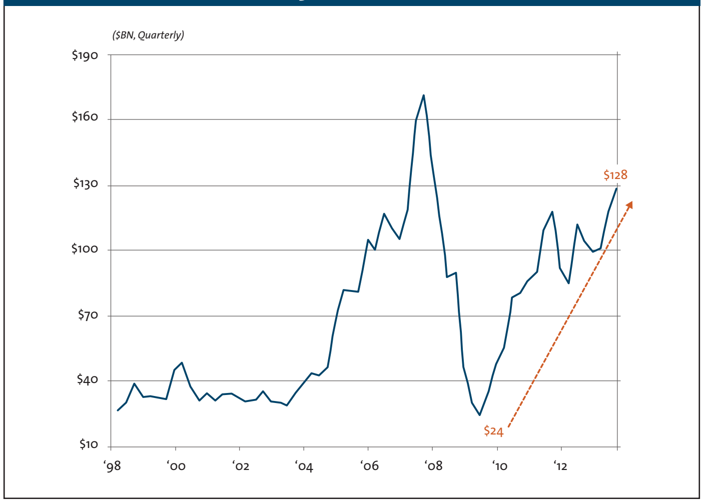
Source: J.P. Morgan

S&P 500 SOURCES OF RETURN



Source: J.P. Morgan

S&P 500 BUYBACKS



Source: Strategas

The valuation of the S&P 500 Index has room for modest expansion in 2014. As of the third quarter, the forward P/E ratio for the S&P 500 Index was 14.3X earnings, and it rose to nearly 16X by year-end. While it now lies above its historic average level, reversals tend to occur only after means have been significantly exceeded. In six out of seven of the prior bull market cycles since 1966, returns surpassed the average real earnings yield before reversing course. The real earnings yield, which is earnings per share divided by the current market price, currently shows the S&P 500 Index as relatively cheap. Other factors supporting multiple expansion are confidence that the Fed will continue to be supportive in keeping rates low this year and that U.S. equities will remain popular with global investors.

Corporate margins should rise moderately in the coming year. As displayed at left in the chart, "S&P 500 Sources of Return," multiple expansion generated 18.4%—over half of the S&P 500's 32.4% return. Earnings growth was solid as well, providing 11.2%, or about a third of the return. Dividends made up the remaining 2.8%, which was a slight increase over last year. Earnings growth for the S&P 500 in 2014 should rise. Slow but steady revenue growth will be a contributing factor, which is highly correlated to global GDP growth. Another contributor to earnings growth are share buybacks which have become a larger focus for corporations with excess cash. Corporate share buybacks more than quintupled since 2009. Profit margins will be pressured as the labor market improves, but not until wage growth improves. Rising interest rates may also affect margins; however, corporations have locked in low long-term rates, protecting themselves as rates rise.

Despite our positive views for domestic equity markets for the year ahead, higher returns and valuations lead to increased risk. In the event that earnings do not meet expectations or economic news disappoints, the market is more fragile at these higher levels and subject to correction. After a strong run-up in market prices, it is critical to compare valuations across and within asset classes and market sectors, paring back positions that have reached price targets and making appropriate allocation changes. As markets shift and global economies move throughout their cycles, new investment opportunities will arise. We look forward to capturing them in the year ahead.

Perkins Coie Trust Company offers investment management services for trusts and estates, personal investment portfolios, individual retirement accounts, private foundations and endowments.

Professionals

Patrick A. Casey, CTFA, is President and Chief Executive Officer of Perkins Coie Trust Company. He has over 30 years of experience in the financial services industry advising private clients in the areas of banking, trust and investment management and wealth planning. He has held senior positions at Wells Fargo Bank, Merrill Lynch Trust Company and Bank of America. He graduated from St. John's University with a bachelor of science in finance and received his MBA in management from Fairleigh Dickinson University. Patrick is a Certified Trust and Financial Advisor. He is involved with the Fred Hutch Planned Giving Advisory Committee, a board member for the Mercer Island Baseball Booster Club, King County Boys and Girls Club Association, Rainier Scholars and the YMCA. Patrick is a member of the Seattle Estate Planning Council.

Kevin M. Ylvisaker, CFA, CAIA, is Chief Investment Officer of Perkins Coie Trust Company and is responsible for fixed income strategy. Kevin has over 20 years of experience in portfolio management, research and analysis and previously was a Vice President with BlackRock as well as Merrill Lynch and Wells Fargo Bank. He has extensive experience managing portfolios for high net worth clients, foundations and institutional clients. Kevin obtained his MBA from the University of Washington and his bachelor's degree from Pacific Lutheran University. He is a Chartered Financial Analyst charterholder and a member of the CFA Institute and the CFA Society of Seattle.

Sandra K. Jones, CFP,® CIMA,® is Senior Investment Officer of Perkins Coie Trust Company and is responsible for equity strategy. Sandra has over 20 years of investment experience managing portfolios for individuals, trusts and not-for-profit organizations. She previously worked for Mellon Financial Corporation as Vice President and Portfolio Manager. She graduated from the University of Washington with a degree in business administration. Sandra is a Certified Financial Planner,™ Certified Investment Management Analyst® and a member of the Financial Planning Association. She serves on the board of Consumer Education and Training Services and the Shorecrest Booster Club.

Brander L. Richmond, CFA, is an Investment Officer at Perkins Coie Trust Company and supports all aspects of investment management including trade execution, investment research and analysis, performance measurement, investment compliance and client reporting. Prior to joining Perkins Coie Trust Company, Brander supported the senior portfolio manager at Baker Boyer National Bank in the Trust & Investment Group. Brander graduated Magna Cum Laude, Phi Beta Kappa from Whitman College with a bachelor of arts in economics. Brander is a Chartered Financial Analyst charterholder and a member of the CFA Society of Seattle and the CFA Institute.

Investment Process

Learn Client Goals and Needs

Establish Client Investment Objective and Strategy

Determine Asset Allocation Strategy

Construct and Monitor Investment Portfolio

Review and Reassess Client Needs

Trust Company Services

The investment process at Perkins Coie Trust Company is always client-driven. We meet routinely with clients to ensure that we incorporate changing life-cycle needs into our investment strategies.

Perkins Coie
Trust Company

ANNUAL INVESTMENT UPDATE

WORTH KNOWING™

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PERSONAL PLANNING

Keep your estate plan current: *Changes in your own life can make a difference.*

As we ring in 2014 we want to be sure your estate is planned and updated so that your wishes are fulfilled. The laws governing estates and trusts are constantly changing and nearly every year there are changes at the state or federal level that can impact your planning. Changes in your own life can make a difference also.

We have put together a list of events that may affect your estate planning. If any of these events has occurred since you executed your estate planning documents, please contact our office so that together we can review your existing plan and advise you concerning any necessary or suggested changes.

- ESTATE AND GIFT tax law changes
- INHERITANCE OR GIFT received
- HEALTH PROBLEMS or serious illness
- MARRIAGE of a family member
- DISSOLUTION (DIVORCE) or marital separation
- BIRTH or adoption
- DEATH OR DISABILITY of a family member
- ESTATE VALUES SIGNIFICANTLY INCREASE or decrease
- INCOME OR NATURE OF INCOME significantly changes
- ASSET OWNERSHIP OR BUSINESS INTERESTS, such as incorporation or partnership formation, change
- RETIREMENT or change in employment
- STATE RESIDENCY change
- LIFE INSURANCE purchase or possible change in insurability
- EXECUTOR, TRUSTEE OR GUARDIAN change desired
- REAL PROPERTY PURCHASE outside your state of residence

The preceding list is not intended to be comprehensive, and other events, including changes in the law, may occur that would necessitate a review of your estate planning.

For more information, please visit **www.perkinscoie.com/personal_planning**

Perkins Coie LLP | Perkins Coie Trust Company

FAMILY OFFICE SERVICES

The following is a brief summary of the changes in the federal estate and gift tax laws for 2014.

Federal Estate and Gift Tax Exemption – Increased in 2014

The current exclusion from the federal estate tax and the federal gift tax is $5,340,000, an increase from $5,250,000 in 2013. This increase, resulting from an annual inflation adjustment, allows taxpayers to give additional amounts in 2014. The current effective tax rate for transfers above this threshold is 40%.

Annual Exclusion Gifts

In 2014, each person (donor) now has an annual exclusion from the application of the federal gift tax of $14,000 in value of assets per recipient (donee) per calendar year. Note that this amount is indexed for inflation and is rounded to the nearest multiple of $1,000. There is no limitation on the number of donees. Annual exclusion gifts are not included in the donor's federal estate and federal gift tax exemption. The gifts must be completed by December 31 in order for them to qualify for the calendar year exclusion.

Income Tax Basis of Transferred Assets

Gifts are favored under the income tax law - property received by way of gift or inheritance is not includible in the donee's income and generally has no adverse tax consequences. However, a donor should be aware of the differences between the income tax basis treatment of assets that are given and the assets that are inherited at death.

When assets are given, the donor's income tax basis in the given property is transferred to the donee. When assets are transferred at death, the income tax basis of inherited property is its estate tax value in the decedent's estate, which is usually its fair market value at the time of the decedent's death. As a matter of overall strategy, donors commonly make lifetime gifts of cash or slightly appreciated property and either retain highly appreciated assets until death or use such assets to make charitable gifts.

Want to Know More?

If you have any questions about year-end giving strategies or other issues that may have an impact on your planning, please contact your attorney at Perkins Coie.

For more information, please visit **www.perkinscoie.com/personal_planning**