Annual Investment Update

ECONOMIC REVIEW AND OUTLOOK

DECEMBER 31, 2015

As we enter 2016, we want to thank you for the continued trust and confidence you place in Perkins Coie Trust Company. On the investment front, we anticipate continued stock market volatility this year as diverging global monetary policies, falling liquidity and peaking U.S. corporate profit margins create a more difficult environment. Despite this, our principles of portfolio construction remain the same, and maintaining appropriate levels of discipline, diversification and patience is likely to be rewarded over the next decade with fair inflation-adjusted returns.

U.S. earnings are projected to rise in 2016 with gains in Consumer Discretionary, Tech and Staples; projections also assume that 2016 will be close to the bottom for Energy and Materials. We expect consumer revival in the developed world to continue, fueled by low inflation, low commodity prices and less fiscal austerity. We believe the U.S. economy will grow at a rate of 2.5% to 3.0% in 2016, a bit stronger than 2015. The U.S. economy appears to be in a "simmering growth" mode, which, although less than optimal, at least reduces the likelihood of economic overheating. We remain positive on stocks compared to investment alternatives such as bonds and cash. Now that the Federal Reserve has finally raised the federal funds rate, we will not only focus on the pace of future rate increases, but also yield spread (the difference between a 10-year U.S. Treasury note and a 3-month Treasury bill), inflation and unemployment in all of our investment decisions.

We wish you good health and much happiness in the coming year.

The Fed raises rates! For the first time since July 2006, the Federal Reserve raised interest rates at their final meeting of 2015. The much-debated, much-anticipated December 16 decision was based on the view that the U.S. economy has recovered from the Great Recession, unemployment has fallen to 5%, and the Fed risks falling behind inflation trends. Importantly, a Fed rate hike can be seen by investors as conviction by the central bank that the economy is finally healthy. We think the Fed will move cautiously in 2016, given global economic trends and bumps in the U.S. economy. The Fed stated that they could raise rates as many as 4 times over the next year, but oil price volatility and turmoil in global markets could warrant a more restrained pace.

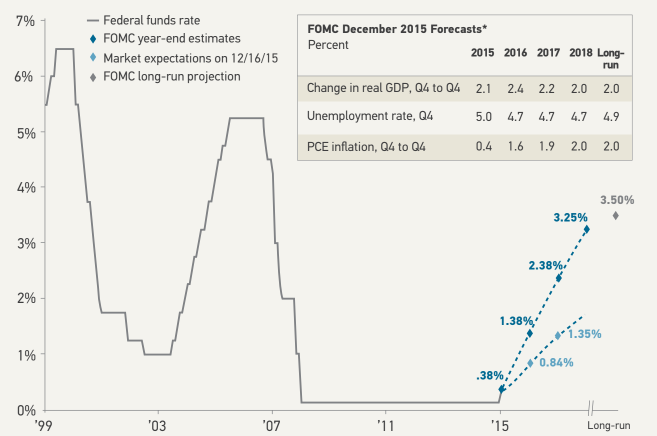
KEY ECONOMIC RELEASES

EMPLOYMENT	As of	Expected	Actual	Prior Period	12 Months Ago
Unit Labor Costs (3rd Quarter)	DEC	1.0%	1.8%	-1.8%	-1.0%
Unemployment Rate	NOV	5.0%	5.0%	5.0%	5.6%
Change in Non-Farm Payrolls	NOV	200K	211K	298K	252K
INFLATION (year over year)	**As of**	**Expected**	**Actual**	**Prior Period**	**12 Months Ago**
Consumer Price Index	NOV	0.4%	0.5%	0.2%	1.3%
CPI Ex Food & Energy	NOV	2.0%	2.0%	1.9%	1.7%
Producer Price Index	NOV	-1.4%	-1.1%	-1.6%	1.4%
HOME PRICES (year over year)	**As of**	**Expected**	**Actual**	**Prior Period**	**12 Months Ago**
S&P/Case Shiller Top 20 Mkts.	OCT	5.6%	5.5%	5.4%	4.5%
MANUFACTURING ACTIVITY	**As of**	**Expected**	**Actual**	**Prior Period**	**12 Months Ago**
Capacity Utilization	NOV	77.4%	77.0%	77.5%	80.1%
Leading Indicators	NOV	0.1%	0.4%	0.6%	0.6%
GDP Annualized (3rd Quarter)	DEC	1.9%	2.0%	3.9%	5.0%

Source: Bloomberg

FEDERAL FUNDS RATE EXPECTATIONS

FOMC and market expectations for the federal funds rate



FOMC December 2015 Forecasts*
Percent

	2015	2016	2017	2018	Long-run
Change in real GDP, Q4 to Q4	2.1	2.4	2.2	2.0	2.0
Unemployment rate, Q4	5.0	4.7	4.7	4.7	4.9
PCE inflation, Q4 to Q4	0.4	1.6	1.9	2.0	2.0

**Forecasts of 17 FOMC participants, midpoints of central tendency except for federal funds rate, which is a median estimate.*

Source: J.P. Morgan Asset Management

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trust.perkinscoie.com

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.*

PERKINS COIE
TRUST COMPANY

Annual Investment Update

ECONOMIC REVIEW AND OUTLOOK (CONTINUED)

Things look different now compared to 2004, the last time the Fed began raising interest rates. The link between a strong labor market and increasing wages has weakened. Year-over-year wage growth has only recently improved to 2%—not enough to cause inflationary pressure. Falling union membership and global competition have left workers in a weaker bargaining position than ever before. Also, growth in the productivity of labor has been weak: from 2010 to 2015 it averaged just 0.5% per year, compared with 2% annually in the 5 years before that. This growth rate will improve in 2016 as firms faced with hiring difficulties seek to get more from their existing workers. Productivity-boosting investments take years to pay off, however.

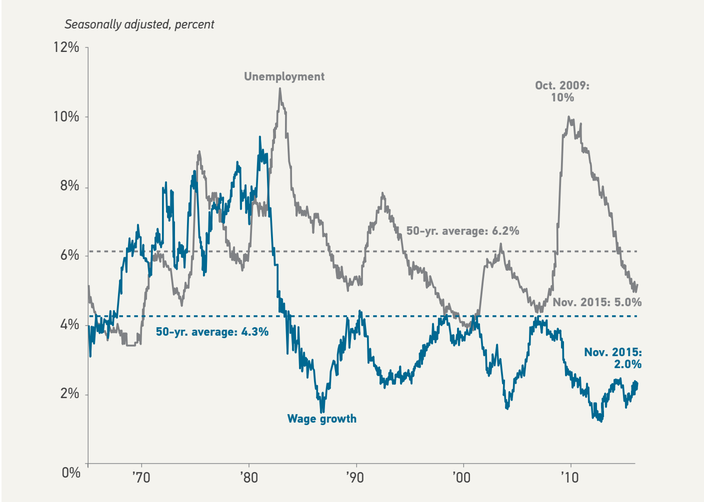
Job growth is strong. Over the past year, the brightest spot in the U.S. economy was employment growth. The United States created 2.5 million new jobs in 2015, the second-highest total since the financial crisis. As a result, the unemployment rate fell to 5% in November from 5.7% at the start of the year. Most of the job growth occurred in services, including education, health, leisure, retail and finance. Meanwhile, global competition and a strong dollar held growth in manufacturing employment to only 17,000 jobs. The labor force participation rate—the percentage of Americans who either had jobs or were looking for one—fell to levels not seen since the late 1970s. Part of the decline can be traced to an aging society and another part to changes in technology and automation, but the cause of some of the shrinkage remains unexplained.

The price of oil remains in the headlines. Oil prices, which fell for much of 2014, failed to find a bottom in 2015 due to concerns of oversupply. OPEC continues to produce at high levels, and domestic production is creating rising crude oil inventories that could keep pressure on prices in the near term.

Government and consumer spending will boost GDP. Congress just passed a major tax cut and spending increase for fiscal year 2016 that could add 0.7% to GDP next year. Government spending, which includes state and local governments, has contributed to GDP for 5 consecutive quarters after being a drag on the economy for the previous 16 quarters. Lower gasoline prices, employment growth, low interest rates and rising home values create a tailwind for consumer spending. One beneficiary of this is the auto industry: the sale of 17.5 million vehicles in 2015 is an all-time record.

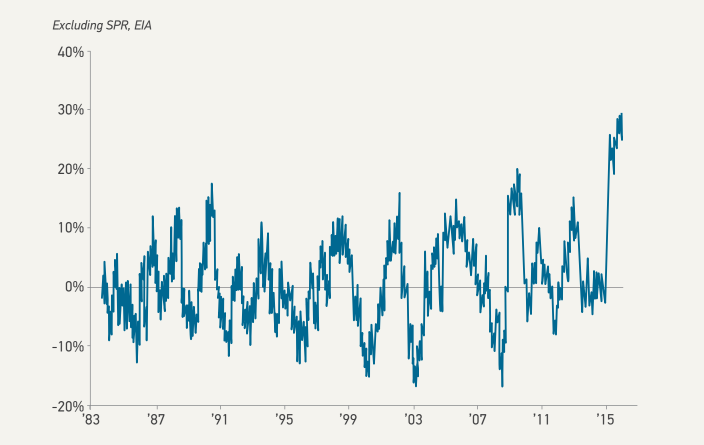
On the other hand, capital spending has been mostly absent from the economic recovery. U.S. corporations remain hesitant in deploying funds to new projects and equipment, and in upgrading facilities and technology. Companies instead continue to focus on record levels of dividends and share buybacks.

CIVILIAN UNEMPLOYMENT RATE AND YEAR-OVER-YEAR GROWTH IN WAGES OF PRODUCTION AND NON-SUPERVISORY WORKERS



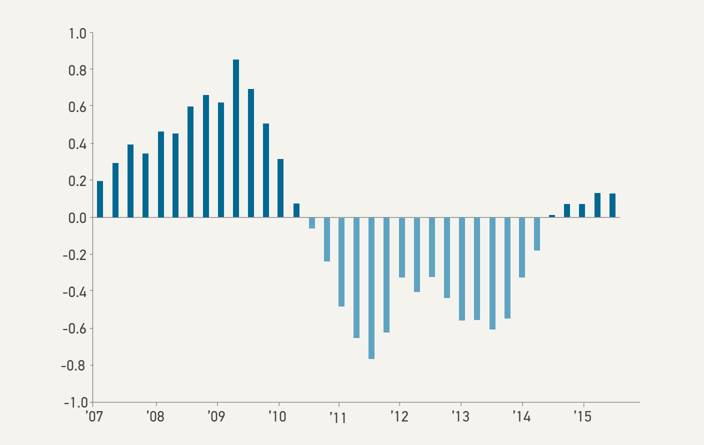
Source: J.P. Morgan Asset Management

U.S. WEEKLY CRUDE INVENTORIES YEAR-OVER-YEAR PERCENT CHANGE



Source: Strategas

GOVERNMENT CONTRIBUTION TO REAL GDP – 4TH QUARTER AVERAGE



Source: Strategas

Annual Investment Update

BOND MARKET REVIEW AND OUTLOOK

DECEMBER 31, 2015

Municipal bonds outperform again in 2015. Municipal bonds had higher returns than most other fixed-income sectors, with a gain of 3.8%. Investors saw more bonds leave the municipal market than were sold by states and municipalities for a fifth straight year: net issuance was around –$15 billion. Trading volume also declined during the year. Municipal bond trading has been declining since 2007: quarterly trading volume exceeded $1.8 trillion in 2007 and totaled just $551 billion in the 3rd quarter of 2015.

Moody's issued more ratings upgrades than downgrades in 2015—172 vs. 132—an indicator of the strengthening credit quality of state and local bond issuers. Most of the cuts to ratings were related to Puerto Rico, which is struggling with a financial crisis, followed by downgrades to local governments in Michigan and Illinois.

Junk bonds had negative annual returns for the first time since the credit crisis in 2008. Funds that focused on the lowest-rated junk bonds as well as energy- and commodity-related sectors had losses as large as 30%. Large investor withdrawals have also caused concern over liquidity in the high-yield bond market. The Third Avenue Focused Credit Fund, for example, froze redemption requests on December 9, following redemptions totaling nearly $1 billion. The manager of the fund said that raising cash to give shareholders their money back would force it to unload bonds at "fire sale" prices. The fund held large positions in small bond offerings that were infrequently traded, as well as debt of bankrupt companies. In contrast, funds that targeted bonds of higher-rated junk bond issuers did relatively well. The Vanguard High-Yield Bond Fund, for example, lost just 1.6%.

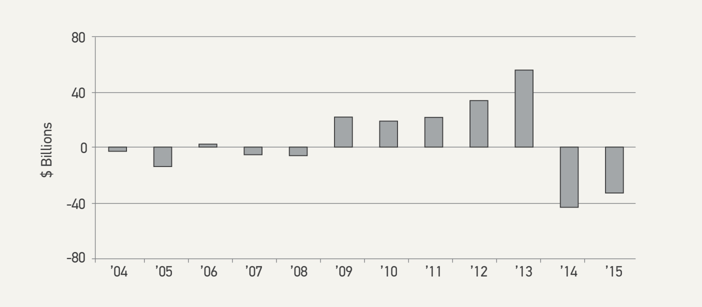
Investment-grade corporate bonds also lost ground for the year, with a total return of –0.8%. U.S. bond sales by companies with good credit ratings continued at a record pace, reflecting steady economic growth, pent-up investor demand and efforts by corporate treasurers to lock in low interest rates.

Long-term interest rates stayed in a narrow range. The 10-Year Treasury yield rose just 10 basis points for the year, from 2.17% to 2.27%. More activity occurred in the shorter part of the yield curve in anticipation of a Fed rate hike. The 2-Year Treasury yield finished 2015 at 1.06%, compared to 0.67% on January 1. There was little change in rates that banks pay on deposits—including CDs and savings accounts.

BOND MARKET RETURNS	Latest Quarter	12 Months	Last 3 Years
Barclays Intermed. Gov/Credit	-0.7%	1.1%	1.1%
Barclays 10-Year Municipal	1.6%	3.8%	3.3%
Barclays High Yield	-2.1%	-4.5%	1.7%
Merrill Lynch 90-Day T-Bill	0.0%	0.1%	0.2%
Treasury Infl. Protected Sec.	-0.9%	-1.8%	-6.9%

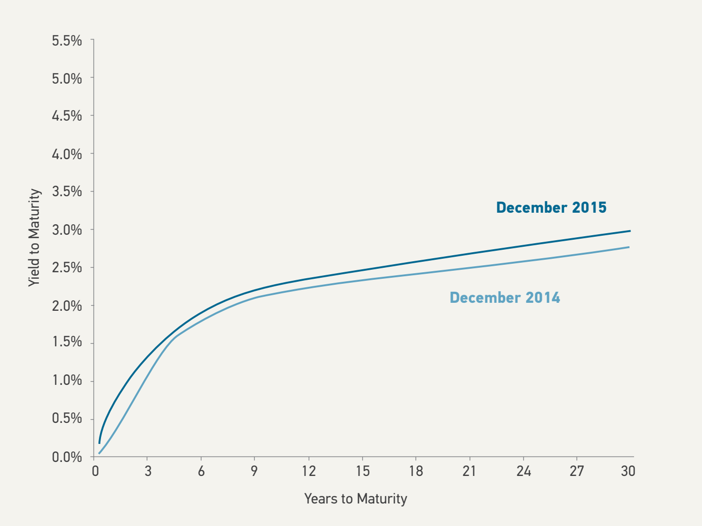
Source: Bloomberg, Vanguard, Bank of America, Merrill Lynch

ANNUAL HIGH-YIELD BOND MUTUAL FUND FLOWS



Source: Investment Company Institute

U.S. TREASURY YIELD CURVE COMPARISON



Source: Bloomberg

Annual Investment Update

BOND MARKET REVIEW AND OUTLOOK (CONTINUED)

What happens to the bond market as the Fed raises rates? The long-awaited shift to a more "normal" interest rate policy is at hand, but we do not suggest a material change in approach for bond market investors. Bond yields are likely to rise modestly and the Fed will hike rates further, but overall interest rate increases will be limited by ongoing disinflationary forces outside the United States. The European Central Bank, the Bank of Japan, and the People's Bank of China are all expected to ease monetary policy in the coming year, limiting rate rises in the U.S. Global deflationary pressures are evidenced in falling commodity prices, including oil and industrial materials such as copper.

Our main themes in fixed-income investing remain essentially unchanged: stick with high quality, emphasize municipal bonds for investors in high tax brackets, use a laddered approach for individual bond portfolios and employ some inflation hedges including Treasury Inflation-Protected Securities (TIPS). We will avoid weak credits in the municipal market and stay focused on investment-grade bonds in the corporate sector. High-yield corporate bond yields are more attractive than they were a year ago, but defaults may be in the early stages of a cyclical upturn. TIPS have lagged the traditional Treasury bond market over the past 3 years and now look relatively cheap. We expect inflation to rise by around 2% in 2016, after an increase of just 0.5% in 2015.

Rising rates will benefit long-term investors. Rising rates lead to rising total returns over time, as you earn more by reinvesting cash flow at higher rates. Reinvestment of income over time is an important component of total return and rising rates provide greater earning power, particularly for long-term investors.

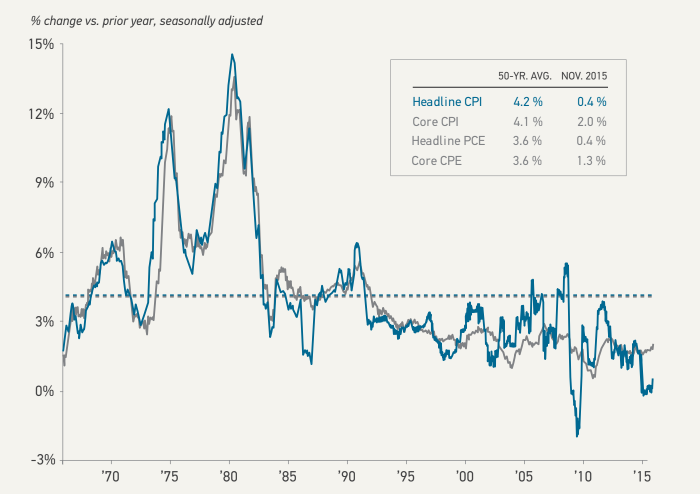
Changes coming for money market funds. After October 2016, institutional investors will have to use new floating-rate money market funds or funds that invest only in government-issued securities. The Securities and Exchange Commission has created new rules and tighter restrictions on money market funds to create a more stable environment in times of financial crisis. Retail investors will face fewer changes but may be subject to new redemption fees, in addition to being temporarily restricted from making withdrawals. Please visit www.trust.perkinscoie.com for the full whitepaper on money market reforms.

DEVELOPED COUNTRY 10-YEAR GOVERNMENT BOND YIELDS

Developed Countries	10-Year Yield %
Switzerland	-0.09%
Japan	0.25%
Germany	0.50%
France	0.89%
Ireland	1.04%
Spain	1.74%
Canada	1.34%
Italy	1.48%
United Kingdom	1.80%
United States	2.17%

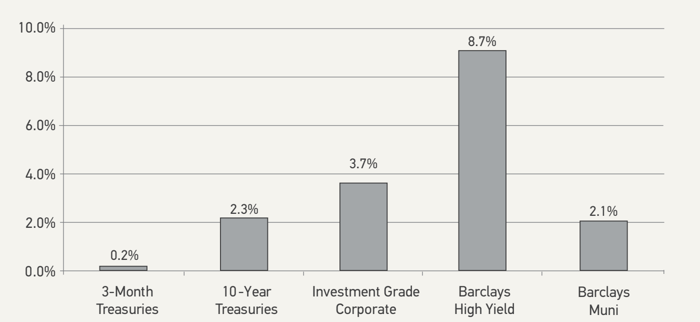
Source: Trading Economics

CPI AND CORE CPI



Source: J.P. Morgan Asset Management

SELECT FIXED-INCOME YIELD TO MATURITIES



Source: J.P. Morgan Asset Management

Annual Investment Update

STOCK MARKET REVIEW AND OUTLOOK

DECEMBER 31, 2015

Limited gains for U.S. equities. Finishing with an uncharacteristic drop in December, the S&P 500 eked out a total return of just 1.4% in 2015, its 2.1% dividend making up for the 0.7% price drop of the index. While the S&P 500 had a steady start to the year, gradually gaining ground to reach new highs, the second half of the year was another story. As earnings reports disappointed and concerns rose on the timing of the Federal Reserve's first interest rate hike in 10 years, global events shocked the markets, and by year-end, gains were difficult to realize. U.S. Mid- and Small-Cap stocks lost 2.2% and 4.4%, respectively, as measured by the S&P 400 MidCap and the Russell 2000.

Disparity of returns among size, style and sector. Not all returns were flat or down last year, however. Being selective with size, style and sector all mattered in 2015 as the disparity of returns was significant. Market breadth narrowed dramatically during the year, and the 10 largest stocks of the S&P 500, which include Microsoft and Amazon, actually gained close to 20%. Large Cap Growth stocks, as measured by the Russell 1000 Growth, rose 5.7%, while the Russell 1000 Value sank by 3.8%. The strongest sector in 2015 was Consumer Discretionary, which grew by 10.1%. Healthcare, Staples and Technology rose in the range of 6% to 7%. Five sectors had negative returns, with Energy, the underdog once again, plummeting 21%.

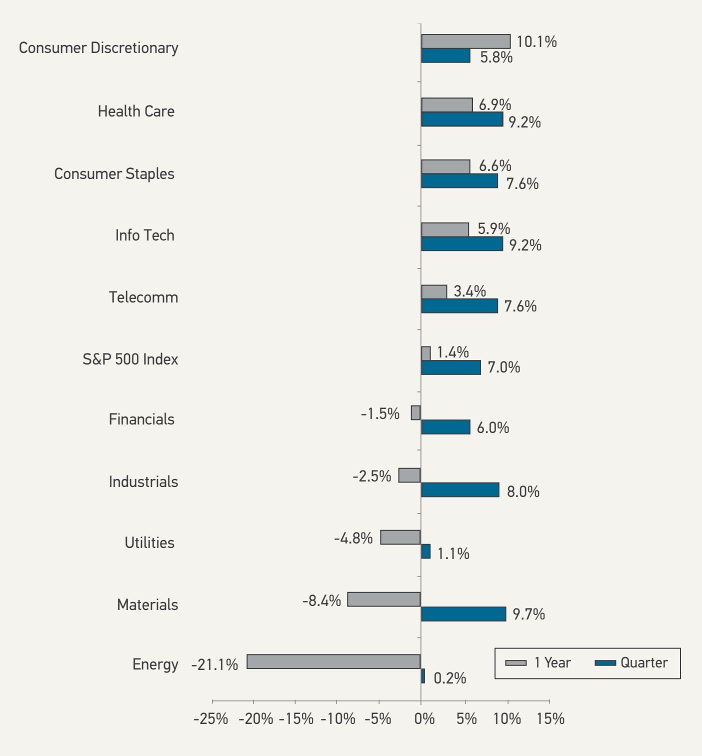
Volatility spikes on news of China's economic slowdown. After reaching its high of 2131 in May, the S&P 500 stalled and then staggered with a pullback of 12% in August, its largest correction in 4 years, when China devalued its currency in response to the sharp slowing of its economy. On this news, the VIX or CBOE Volatility Index, after trading in a range of 10 to 26 since 2011, spiked to over 40. It has since retreated to below 20, as of year-end. Most impacted was China's Shanghai Index, which fell 43% midyear, although it closed the year with a fairly flat return. Emerging Markets suffered the biggest losses, with the MSCI Emerging Markets Index dropping by 15%. Developed Markets fared better, with the MSCI EAFE down by 0.2%.

Mergers and acquisitions at peak levels. Merger and acquisition activity grew as expected in 2015, making it the biggest year ever for deal-making. According to Dealogic, $4.86 trillion in deals were announced globally in 2015, representing a variety of industries. The consolidations included Pfizer's merger with Dublin-based Allergan and Dell's acquisition of EMC, the largest technology deal in history. The environment continues to promote further deal-making in the next year as corporations seek to boost earnings growth, where revenues are lacking, by investing excess cash or financing at continued low rates.

STOCK MARKET RETURNS	Latest Quarter	12 Months	Last 3 Years
S&P 500	7.0%	1.4%	15.1%
Russell 1000 Growth	7.3%	5.7%	16.8%
Russell 1000 Value	5.6%	-3.8%	13.1%
S&P 400 MidCap	2.6%	-2.2%	12.7%
Russell 2000	3.6%	-4.4%	11.7%
MSCI Developed (EAFE)	4.8%	-0.2%	5.7%
MSCI Emerging Markets	0.7%	-14.9%	-6.8%
Alternative Asset Returns			
DJ-UBS Commodity	-10.5%	-24.7%	-17.3%
MSCI World Real Estate Index	5.1%	1.0%	6.4%

Source: Bloomberg

S&P 500 RETURNS BY SECTOR –2015



Source: Strategas

Annual Investment Update

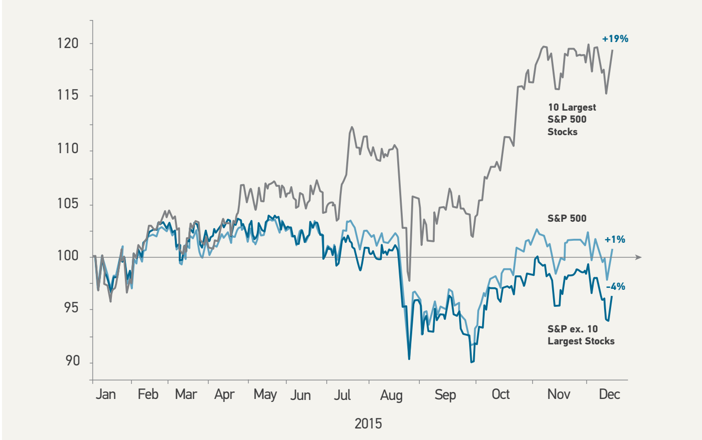
STOCK MARKET REVIEW AND OUTLOOK (CONTINUED)

Market multiple could expand modestly in 2016. As anticipated, the S&P 500 P/E multiple remained stable in 2015. The current S&P 500 forward P/E of 16.1 is essentially where it started the year. The market multiple could rise modestly next year, based on the relative attraction of stocks versus bonds as measured by the earnings yield. The earnings yield, which is the inverse of the P/E ratio (earnings per share divided by price), is currently 5.6%. This yield is attractive when compared to the 10-year Treasury yield of 2.2%. The earnings yield premium of 3.4% over the 10-year Treasury is nearly 3 times higher than its 20-year average.

Investment themes of 2016. As we move into an environment of rising rates in the United States, there will be sectors and companies that fare better than others. The financial sector is one beneficiary. Net interest margins for regional banks will improve as rates rise. Insurance companies' incomes will grow on their investment portfolios adding to earnings. With unemployment declining, gas prices low and confidence rising, consumer spending will likely rise from current levels, supporting retail and consumer goods companies. Technology companies producing innovative products should continue to see rising stock values. Commodity price weakness and continued strength of the dollar could weigh on the Energy and Industrials sectors. Growth stocks have had a strong run this past year versus Value stocks as shown in the included Annualized Trailing 10-Year Relative Total Return chart, yet based on expected earnings growth projections for Growth versus Value stocks overall next year, we do not foresee a quick reversal of that trend.

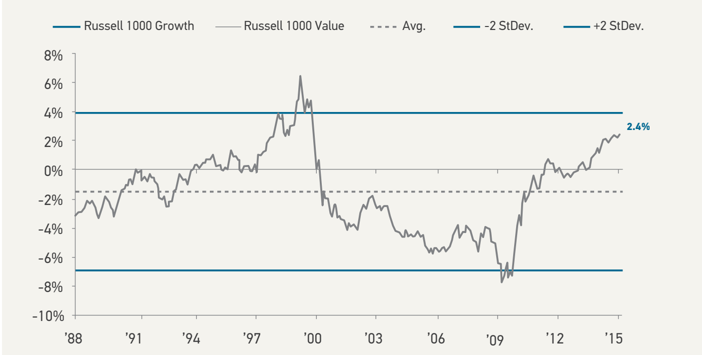
Developed Markets attractive, but risks exist. In 2015, developed international markets as measured by the MSCI EAFE posted a negative return of 0.2%. However, in local terms (before exchanged to U.S. dollars), the index rose by 5.8%. The strongest returns came from Japan, Germany and France. We believe that Japan and Europe are poised to offer more upside than U.S. stocks in 2016 due to attractive valuations in the face of continued easing by the European Central Bank and the Bank of Japan, which will support corporate earnings growth. The U.S. and International Equity Valuations chart compares forward P/E ratios for the S&P 500 of 16.1x versus the MSCI EAFE at 14.7 times earnings. History has shown that European as well as Asian markets have outperformed U.S. stocks in the 6- and 12-month periods following an initial Fed rate hike. Political risks in Europe are ample, however, which could heighten volatility and temper returns. While valuations for Emerging Markets are below average, the impact of China's slowing growth and Commodities' weakness could keep this asset class range-bound.

TEN LARGEST S&P 500 STOCKS - YTD PERFORMANCE



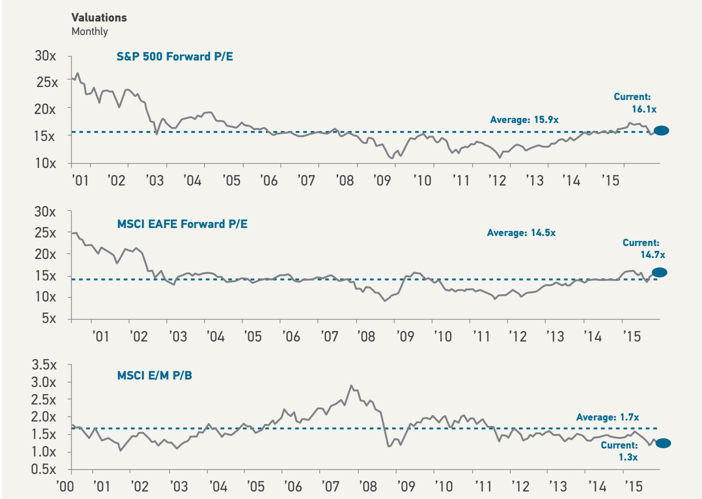
Source: Strategas

ANNUALIZED TRAILING 10-YEAR RELATIVE TOTAL RETURN



Source: Strategas

U.S. AND INTERNATIONAL EQUITY VALUATIONS



Source: J.P. Morgan Asset Management

Annual Investment Update

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

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 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 and 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. 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 holds a Bachelor of Business Administration in finance 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 graduated from the University of Washington with a Bachelor of Arts in Business Administration. Sandra is a Certified Financial Planner™, Certified Investment Management Analyst® and a member of the Financial Planning Association.

KIM MCARDLE is a Trading & Portfolio Administrator with Perkins Coie Trust Company and provides support in all aspects of investment management including trade execution, investment research and analysis, performance measurement, investment compliance and client reporting. Kim graduated from Western Washington University with a Bachelor of Arts in English Literature. Kim also holds her Series 7 and 66 licenses.

INVESTMENT PROCESS

1. **LEARN** CLIENT GOALS AND NEEDS
2. **ESTABLISH** CLIENT INVESTMENT OBJECTIVE & STRATEGY
3. **DETERMINE** ASSET ALLOCATION STRATEGY
4. **CONSTRUCT** & MONITOR INVESTMENT PORTFOLIO
5. **REVIEW** AND REASSESS CLIENT NEEDS

Trust Company Service

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.

Trust & Estate Planning Group

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

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 modifications at the state or federal level that can impact your planning. Changes in your own life can also make a difference.

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 updates.

- 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
- Real property purchase outside your state of residence

Changes in the following:

- Estate values significantly increase or decrease
- Income or nature of income
- Asset ownership or business interests, including incorporation or partnership formation
- Employment status
- State residency
- Life insurance coverage or insurability
- Executor, trustee or guardian appointees

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 plan.

THE FOLLOWING IS A BRIEF SUMMARY OF THE FEDERAL AND ESTATE GIFT LAWS FOR 2016.

FEDERAL ESTATE AND GIFT TAX EXEMPTION

The current exclusion from the federal estate tax and the federal gift tax is $5,450,000, an increase from $5,430,000 in 2015. This increase, resulting from an annual inflation adjustment, allows taxpayers to give additional amounts in 2016. The current effective tax rate for transfers above this threshold is 40%.

ANNUAL EXCLUSION GIFTS

In 2016, 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 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 estate planning, please contact your attorney at Perkins Coie.