

INDEPENDENT SERVICE AUDITOR'S REPORT

USF Affiliate Services, Inc.
Lisle, Illinois

Scope

We have examined USF Affiliate Services, Inc. ("USFAS") description of its system for affiliate fiduciary and investment support services (system) throughout the period June 1, 2013 to June 30, 2014 (description), and the suitability of the design and operating effectiveness of controls to achieve the related control objectives stated in the description. The description indicates that certain control objectives specified in the description can be achieved only if complementary user entity controls contemplated in the design of USFAS's controls are suitably designed and operating effectively, along with related controls at the service organization. We have not evaluated the suitability of the design and operating effectiveness of such complementary user entity controls.

USFAS uses SunGard AddVantage system provided by SunGard Business Systems, LLC to perform accounting and data processing functions. USFAS also uses various depositories, sub-custodians, pricing, and participant recordkeeping subservice organizations as described in Appendix C. The description includes only the controls and related control objectives of USFAS and excludes the control objectives and related controls of SunGard Business Systems, LLC and those subservice organizations indicated in Appendix C. Our examination did not extend to controls of SunGard Business Systems, LLC or the other subservice providers.

Service Organization's Responsibilities

Beginning on page 4, USFAS has provided an assertion about the fairness of the presentation of the description and suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description. USFAS is responsible for preparing the description and the assertion, including the completeness, accuracy, and method of presentation of the description and the assertion; providing the services covered by the description; specifying the control objectives and stating them in the description; identifying the risks that threaten the achievement of the control objectives; selecting the criteria; and designing, implementing, and documenting controls to achieve the related control objectives stated in the description.

Service Auditor's Responsibilities.

Our responsibility is to express an opinion on the fairness of the presentation of the description and on the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description, based on our examination. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our examination to obtain reasonable assurance about whether, in all material respects, the description is fairly presented and the controls were suitably designed and operating effectively to achieve the related control objectives stated in the description throughout the period June 1, 2013 to June 30, 2014.

An examination of a description of a service organization's system and the suitability of the design and operating effectiveness of the service organization's controls to achieve the related control objectives stated in the description involves performing procedures to obtain evidence about the fairness of the presentation of the description and the suitability of the design and operating effectiveness of those controls to achieve the related control objectives stated in the description. Our procedures included assessing the risks that the description is not fairly presented and that the controls were not suitably designed or operating effectively to achieve the related control objectives stated in the description.

Our procedures also included testing the operating effectiveness of those controls that we consider necessary to provide reasonable assurance that the related control objectives stated in the description were achieved. An examination engagement of this type also includes evaluating the overall presentation of the description and the suitability of the control objectives stated therein, and the suitability of the criteria specified by the service organization and in management's assertion beginning on page 4. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Inherent Limitations

Because of their nature, controls at a service organization may not prevent, or detect and correct, all errors or omissions in processing or reporting transactions. Also, the projection to the future of any evaluation of the fairness of the presentation of the description, or conclusions about the suitability of the design or operating effectiveness of the controls to achieve the related control objectives, is subject to the risk that controls at a service organization may become inadequate or fail.

Basis for Adverse Opinion

The accompanying description of the USFAS system for affiliate fiduciary and investment support services does not include the controls that are in place to monitor and periodically reconcile trust cash. The description also does not include the controls that are in place to perform and determine the accuracy of maintenance changes to client accounts to include changes to investment discretion, investment objective, client addresses, client phone numbers, and disbursement amount or frequency. We believe that such information about the process for reconciling trust cash, as well as performing client maintenance changes should be included in management's description of its system because it is an integral part of the system and relevant to user entities.

USFAS states in its description on page 13 that it has controls in place to compare trades on the AddVantage system against trade information from USB. USFAS also states that it has controls in place to reconcile trade settlements with USB on a daily basis in order to make a net settlement. USFAS further states that it has controls in place to reconcile the asset positions between USB and SunGard on a daily basis and between Fidelity and SunGard on a semi-monthly basis with a review being conducted by a supervisory personnel on a monthly and semi-monthly basis, respectively. However, as indicated at pages 21 to 26 of Appendix A, it was identified that the design of the controls are not sufficient to retain documentation to support the performance of the stated controls. Additionally, it was identified that evidence of review of the asset position reconciliations was not formally and consistently documented. As a result, controls were not suitably designed or operating effectively during the period of June 1, 2013 to June 30, 2014 to achieve the control objective, "Controls provide reasonable assurance that investment purchases are recorded completely, accurately, and on a timely basis."

USFAS states in its description on page 14 that it has controls in place to reconcile income amounts posted with the amounts actually received from USB on a daily basis. USFAS also states in its description that it has controls in place to review and resolve unprocessed income maps. However, as indicated at pages 27 to 29 of the description of Appendix A, it was identified that the design of the controls are not sufficient to retain documentation to support the performance of the stated controls. As a result, controls were not suitably designed during the period of June 1, 2013 to June 30, 2014 to achieve the control objective, "Controls provide reasonable assurance that investment income and corporate actions are recorded accurately and timely and processed in a timely manner."

USFAS states in its description on page 15 that it has controls in place to set up and perform distributions based on client requests or the terms of the governing instrument. However, as indicated at pages 32 and 33 of Appendix A, instances were identified where supporting documentation for distribution could not be provided, client direction for disbursements could not be provided, and client direction provided was not from an individual authorized to transact for the client account. As a result, controls were not operating effectively during the period of June 1, 2013 to June 30, 2014 to achieve the control objective, "Controls provide reasonable assurance that "data" on "master file information" and disbursement setup are complete, accurate, and authorized in accordance with the trust documents."

Adverse Opinion

In our opinion, because of the matters referred to in the preceding four paragraphs in all material respects, based on the criteria described in USFAS' assertion beginning on page 4:

- a. The description does not fairly present the system that was designed and implemented throughout the period June 1, 2013 to June 30, 2014.
- b. The controls related to the control objectives stated in the description were not suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period June 1, 2013 to June 30, 2014.
- c. The controls tested, which were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, did not operate effectively throughout the period June 1, 2013 to June 30, 2014.

Other Matters

Management responses to test results included in Appendix A included in this report were provided by USFAS to provide additional information. Such information has not been subjected to the procedures applied in the examination of the description of system applicable to the processing of transactions for user organizations, and accordingly, we express no opinion on it.

As indicated above, in the conduct of the examination, we have read USAFAS' assertion beginning on page 4 and have referred to this in our reporting, however, we have not audited this as a separate document and we express no opinion on it as a separate document. Further, we can provide no assurance of the correctness or accuracy of the information included in Exhibit 1 of the assertion under the caption "Issues Identified by Management in the Conversion of the System."

Description of Tests of Controls

The specific controls tested and the nature, timing, and results of those tests are listed in Appendix A of this report.

Restricted Use

This report, including the description of tests of controls and results thereof in Appendix A, is intended solely for the information and use of USFAS, user entities of USFAS' affiliate fiduciary and investment support system during some or all of the period June 1, 2013 to June 30, 2014, and the independent auditors of such user entities, who have a sufficient understanding to consider it, along with other information including information about controls implemented by the user entities themselves, when assessing the risks of material misstatements of user entities' financial statements. This report is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Oak Brook, Illinois
February 2, 2015

USFAS
USF AFFILIATE SERVICES

INCORPORATED

December 31, 2014

Re: Bridge Letter for USFAS's SSAE16 (Report on Description of USFAS' System and the Suitability of the Design and Operating Effectiveness of Controls)

Dear Report Recipient:

Crowe Horwath LLP performed an independent examination related to the fiduciary and investment support services of USF Affiliate Services, Inc. ("USFAS") made on behalf of two of its affiliate trust companies, GreatBanc Trust Company and Salem Trust Company, as well as certain services received from another affiliate, specifically, investment advisory services from Pennant Management, Inc., in accordance with the Statement on Standards for Attestation Engagement No. 16 ("SSAE 16 Report"). The SSAE 16 Report addressed the period from June 1, 2013 through June 30, 2014. For the period from July 1, 2014 to December 31, 2014, we make the following representations which are true to the best of our knowledge and belief.

USFAS management is responsible for the design and implementation of internal control procedures. We believe that the description of controls in the SSAE 16 Report is accurate but needs to be expanded to include a description of our cash processing and account maintenance procedures.

USFAS, as a normal part of its operations, continues to update and enhance its services and technology. Improvements have been made to the control environment since the end of the prior control period. USFAS has cash processing and account maintenance procedures which will be incorporated into management's description of controls in next year's SSAE 16 Report.

Please note that the controls for USFAS are designed with certain responsibilities required of the report users. (See the client control considerations noted in the most recent SSAE 16 Report.)

If you have any questions, feel free to directly contact our office at the number listed below.

Sincerely,



Matthew J. Bowman
Senior Vice President

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February 17, 2015

Salem Trust Company's 2013-2014 transition to a new operating system was a decision that we needed to make, although it led to unforeseen complications. But in the end we prevailed and overcame the challenges and the new operating system is now serving Salem Trust clients well.

Our attention now focuses on the last remaining conversion issue, the distribution of the SSAE 16 report for the period immediately following the conversion of June 1, 2013, to June 30, 2014. During the transition, many statements were late and some trades may have been delayed, but ultimately never with unresolved consequences to the client. The difficulties we experienced resulted in a redesign of our procedures and controls. Salem Trust's operating effectiveness, as a result, has been greatly enhanced.

I have stated in prior communications that the vast majority of Salem Trust's clients' have now gone through fiscal year-end audits for the period of time during which Salem Trust's conversion occurred. We are pleased to be able to report that fiduciary and safekeeping functions of Salem Trust were not compromised. The benefit payments were sent out on time; trades were always processed; no assets were lost or comingled with those of another; and dividend and interest income was always collected.

The annual service organization audit we undergo, the SSAE16, focused on our internal processes and controls in place during the time of the 2013-2014 conversion. Those processes and controls have been improved in response to our conversion and are more effective than those in existence during the period July 1, 2013 thru June 30, 2014.

We would like to take a moment and share portions of the adverse opinion from our transition-era audit, and explain our point of view in response. I welcome the opportunity of answering any further questions that you may have.

Regards,

A handwritten signature in blue ink that reads 'Bradley K. Rinsem'.

Bradley K. Rinsem, President & Chief Executive Officer

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SALEM TRUST'S RESPONSE TO THE SSAE 16 AUDIT FOR THE PERIOD OF JUNE 1, 2013 TO JUNE 30, 2014

SSAE 16 in General

Salem Trust's response: It was discovered early in the conversion process that incomplete data interfaces delayed the posting of marketable security trade settlements. The consequence of the delayed postings was magnified by failed trades from investment managers who did not follow revised trading instructions. These trading instructions were provided several times before the conversion. Direct intervention with investment managers occurred immediately during, and frequently after, conversion.

The daily journals, which support the rapid pace for reconciling trades and accompanying income postings, were not appropriately archived and, as the report notes, created a document void for the validation of control processes. The consequence is that the audit tests could not always specifically identify the source document that was used.

The absence of appropriately archived documentation to test controls lies at the heart of the auditor's opinion. No attempt was made to present an artificial operating design and exaggerated controls. As management notes, we have identified and acknowledge certain deficiencies in our system description, system design, and operational effectiveness of the system. Improvements have already been implemented.

SSAE 16: The accompanying description of the USFAS system for affiliate fiduciary and investment support services does not include the controls that are in place to monitor and periodically reconcile trust cash.

Salem Trust's response: We did not specifically include cash controls within the description because other parts of the description prompted tests of cash, such as the tracing of wire activity during the trade and settlement process and the testing of wires/checks during the disbursement process. Controls are in place to monitor and periodically reconcile trust cash.

Salem Trust's reconciled cash positions for our clients were, and still are, in balance with our service providers. Reports related to actions for the reconciling of cash positions are being retained so that testing to the source documents can be performed for the next period. Management will also include a section in the USFAS system for affiliate fiduciary and investment support services description for cash controls that will be used in the next test.



SSAE 16: The description also does not include the controls that are in place to perform and determine the accuracy of maintenance changes to client accounts to include changes to investment discretion, investment objective, client addresses, client phone numbers, and disbursement amount or frequency.

Salem Trust's response: Without written direction, Salem Trust does not perform maintenance changes to client accounts affecting addresses, phone numbers, and disbursement amount or frequency.

The testing for the next period will include a review of these source documents that are used in the normal course of facilitating the written requests from our clients.

Salem Trust does not operate with investment discretion nor does it operate in a capacity that would affect the investment objective of our clients.

SSAE 16: USFAS states that it has controls in place to compare trades on the AddVantage system against trade information from USB. USFAS also states that it has controls in place to reconcile trade settlements with USB on a daily basis in order to make a net settlement. USFAS further states that it has controls in place to reconcile the asset positions between USB and SunGard on a daily basis and between Fidelity and SunGard on a semi-monthly basis with a review being conducted by supervisory personnel on a monthly and semi-monthly basis, respectively.

Salem Trust's response: Salem Trust client statements show correct and accurate trade data and asset positions, including cash. This has been documented by the reconciliation of investment managers, investment consultants and the auditors of our clients. The recent number of monthly failed trades has been modest and, even then, reconciled so that client and stakeholder statements are accurate.

SSAE 16: (1) It was identified that the design of the controls are not sufficient to retain documentation to support the performance of the stated controls and (2) additionally, it was identified that evidence of review of the asset position reconciliations was not formally and consistently documented.

Salem Trust's response: The core element of the SSAE 16 audit is the presence of retained documentation that supports the ability to test an operating task. The daily reports to reconcile trade settlements and asset positions are now being archived to provide documented support of these activities.



SSAE 16: (1) USFAS states in its description that it has controls in place to reconcile income amounts posted with the amounts actually received from USB on a daily basis. USFAS also states in its description that it has controls in place to review and resolve unprocessed income maps and (2) it was identified that the design of the controls are not sufficient to retain documentation to support the performance of the stated controls.

Salem Trust's response: Our clients' income has been factually documented by the reconciliations of investment managers, investment consultants and auditors. Income is not missing or misplaced. We remain in balance with our service providers and positions held by our clients.

Documentation is now being retained to provide documented support that these actions are being performed.

SSAE 16: USFAS states in its description that it has controls in place to set up and perform distributions based on client requests or the terms of the governing instrument. However, instances were identified where supporting documentation for distribution could not be provided, client direction for disbursements could not be provided, and client direction provided was not from an individual authorized to transact for the client account.

Salem Trust's response: The appendix will show this finding was not related to any clients of Salem Trust. All distributions from Salem Trust client accounts are made after receiving written signed direction from authorized entities.

Appendix A details the findings of the SSAE 16 audit

The conditions which led to many of the testing deficiencies go back 18 months to the consequences of the conversion. The majority of the test results show "No exceptions were identified"; several were not associated to the processes and procedures in effect at Salem Trust; and the "Management Response" to the test results confirm that solutions have been identified and implemented to rectify the absence of sufficient documentation and other items.