

Conversion from Examination to the VDA Program

Pursuant to 12 Del. C. § 1172(b), any holder currently under examination that received a Notice of Examination from the State Escheator on or before July 22, 2015, except any securities examinations in which estimation is not required, may convert the pending examination into a review under the Secretary of State's voluntary disclosure program under 12 Del. C. § 1173. This Secretary of State policy statement outlines the administrative requirements to convert, as well as the expected process to be followed by holders that choose to convert.

Administrative Requirements to Convert:

Eligible holders must file an executed copy of a Notice of Intent to Convert within 60 days of the adoption of regulations pursuant to 12 Del. C. § 1176(b). The regulations are expected to be adopted on or before July 1, 2017. The Notice of Intent to Convert must be signed by a duly authorized officer of the Company that is seeking to convert, and may be delivered in the following manner:

Via E-mail to SOS.VDA@state.de.us a PDF copy of this form which has been executed by an officer of the Company.

Alternatively, holders may send a copy of this form which has been executed by an officer of the company via overnight or regular mail to:

Secretary of State, State of Delaware
ATTN: SOS VDA Program
Townsend Building, 1st Floor
401 Federal Street, Suite 3
Dover, DE 19901



Final Notice of
Conversion 3.31.17.c

VDA Process for Companies that Convert their Examination

Unlike an examination, the VDA program is a self-review process in which the holder is expected to perform a rigorous self-review of its books and records for the entirety of the look-back period and present its findings of past due unclaimed property liability to the Secretary of State for validation, and ultimately settlement. The VDA program was designed, and will be administered, as an efficient and collaborative settlement process for determining the holder's past due unclaimed property.

For companies that convert their examination into a VDA, the expectations are the same. In order to expedite the resolution of an examination converted into a VDA, holders are not expected to begin the VDA process from the beginning. Further, the holder's examination work papers will not be transferred to the VDA Administrator, and there will be no coordination or consultation with the Department of Finance or any third-party examination firm regarding the holder's examination after the initial transfer of information related to scoping.

For many holders eligible to convert an examination into a VDA, the examination was previously scoped by the auditor in terms of property types and/or included entities. Since most of the analysis and review performed to date by the holder will be based on the property types / entities scoped in by the auditors, in the interest of efficiency, holders are expected to, at a minimum, utilize the same examination scope in the VDA. For examinations that have been scoped (entities, property types, and/or years), the VDA Administrator and the holder will receive from the Department of Finance a memorandum describing the previously agreed upon scope of the examination. Holders may elect to expand the previously agreed to scope in the VDA program.

With respect to the remainder of the VDA, holders should utilize the records reviewed and analysis performed to date in the examination, as well as perform any additional self-review required, in order to present the holder's findings of past due unclaimed property liability to the Secretary of State for validation, and ultimately settlement. The presentation of the holder's findings shall be in accordance with the VDA program's Implementing Guidelines. Similarly, when the VDA report and schedules are presented, the findings will be validated by the Secretary of State's Office in accordance with the Implementing Guidelines. For holders that have substantially completed their examination that choose to convert to a VDA, the VDA process should be expedited and there is an expectation that the holder will conclude the VDA quickly.

As with any VDA, every holder that converts its examination into a VDA is understood to be unique. Not only with respect to the extent of review and analysis performed to date, but also with respect to its core operations, historic compliance history, availability of records, and abandoned and unclaimed property types to be reported. Therefore, holders that convert their examination into a VDA are encouraged to work with the VDA Administrator from the date of conversion to chart an efficient path to conclusion, and to resolve concerns or issues prior to the presentation of a final VDA report and schedules.

Look-Back period for Examinations Converted to a VDA:

Pursuant to 12 Del. C. §1172(b), the look back period for examinations that convert to VDAs is ten reporting years (or 15 transaction years) from the year the original Notice of Examination was received by the holder.

Partial VDAs:

If holders have formally resolved specific property types and/or entities in an executed settlement agreement with the Department of Finance prior to converting to a VDA, the VDA will only cover any remaining entities and property types.

Estimation:

The Secretary of State expects every VDA enrollee to reasonably estimate liabilities related to periods for which the holder's records are unavailable or insufficient to prepare a report of presumed past due unclaimed property liability. Estimation is not required for non-Delaware domiciled entities, and all estimated unclaimed property for any period a holder determines it does not have available records would be reportable to the holder's state of incorporation or formation.

Pursuant to 12 Del. C. §1176(b), on or before July 1, 2017, the Secretary of Finance, in consultation with the Secretary of State will promulgate regulations regarding the method of estimation in order to create consistency in any Examination or VDA. On April 3, 2017, the Department of State published proposed regulations relating to estimation in the VDA program. The proposed regulations address the scope of a VDA, permissible base periods, items to be excluded from the estimation calculation, aging criteria for outstanding and voided checks, and the definition of what constitutes complete and researchable records.

Here is a link to the proposed regulations:

<http://regulations.delaware.gov/register/april2017/proposed/20%20DE%20Reg%20776%2004-01-17.pdf>

The Authenticated PDF Version of the DOS proposed regulations are also embedded here:



20 DE Reg 776
04-01-17 - DOS Regs

What if the holder cannot reach a settlement with the Secretary of State in the VDA Program?

If a settlement cannot be reached on a particular property type or for a particular entity, the property type or entity will be excluded from the final settlement and release agreement. Pursuant to 12 Del. C. § 1173(a)(4), any property types or entities excluded would be referred to examination. Similarly, if a settlement cannot be reached on any property type or entity, the holder would be referred back to examination.