

Please Read Instructions on Reverse Side of Yellow copy

Please print in ink or type

BEFORE THE STATE CLAIMS COMMISSION Of the State of Arkansas

- ☐ Mr.
☐ Mrs.
☐ Ms.
☐ Miss

Kelmar Associates, LLC

Claimant

vs.

State of Arkansas, Respondent

Do Not Write in These Spaces

Claim No.

Date Filed

(Month) (Day) (Year)

Amount of Claim \$

Fund

COMPLAINT

Kelmar Associates, LLC, the above named Claimant, of 500 Edgewater Drive, Suite 525 Wakefield
(Name) (Street or R.F.D. & No.) (City)
MA 01880 781-213-6926 County of Middlesex represented by David P. Kennedy, General Counsel & Member
(State) (Zip Code) (Daytime Phone No.) (Legal Counsel, if any, for Claim)
of Kelmar Associates, LLC 500 Edgewater Drive, Suite 525, Wakefield, MA 01880 781-928-9205
(Street and No.) (City) (State) (Zip Code) (Phone No.) (Fax No.) says:

State agency involved: Arkansas Auditor of State Amount sought: \$130,940.22

Month, day, year and place of incident or service: Fees incurred for the delivery of unclaimed property remitted to the State from 4/02/2016 - 9/20/2019.

Explanation: Please see the detailed explanation of Kelmar's claim for the amounts due set forth in Attachment I, attached hereto and incorporated herein by reference. Included at Attachment I are supporting documents including the contracts under which the services have been performed, the Statement of Work detailing Kelmar's services, and detailed invoices evidencing the outstanding amounts due and payable by the State to Kelmar.

As parts of this complaint, the claimant makes the statements, and answers the following questions, as indicated: (1) Has claim been presented to any state department or officer thereof?
Yes ; when? February 25, 2020 ; to whom? Arkansas Deputy Auditor of State, Skot Covert
(Yes or No) (Month) (Day) (Year) (Department)

: and that the following action was taken thereon: None - Complaint submitted to the State Claims Commission

and that \$ 0.00 was paid thereon: (2) Has any third person or corporation an interest in this claim? No ; if so, state name and address

(Name) (Street or R.F.D. & No.) (City) (State) (Zip Code)

and that the nature thereof is as follows:

: and was acquired on : in the following manner:

THE UNDERSIGNED states on oath that he or she is familiar with the matters and things set forth in the above complaint, and that he or she verily believes that they are true.

Mark X. Russo, Chief Administrative Officer & Member of Kelmar Associates, LLC

(Print Claimant/Representative Name)

(Signature of Claimant/Representative)

SWORN TO and subscribed before me at Wakefield MA

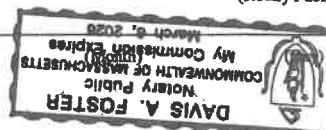
(SEAL)

on this 25th day of February, 2020
(Date) (Month) (Year)

(Notary Public)

SF1-R799

My Commission Expires:



(Year)

**ATTACHMENT ONE
TO COMPLAINT SUBMITTED BY KELMAR ASSOCIATES, LLC**

Pursuant to a Contract for Unclaimed Property Auditing Services by and between the Arkansas Auditor of State, on behalf of the State of Arkansas (the "State"), and Kelmar Associates, LLC ("Kelmar") dated July 1, 2018, as amended on June 30, 2019 (the "Current Contract"), Kelmar has satisfactorily performed unclaimed property auditing services inclusive of identifying, reporting, and coordinating the delivery of abandoned property due to the State by holders in accordance with the requirements of Arkansas Code Annotated § 18-28-201 et. seq. (the "Unclaimed Property Law"). A copy of the Current Contract is attached hereto and incorporated herein by reference at **Exhibit 1**.

Under Section 4 of the Current Contract, the State agreed to pay Kelmar a contingency fee of 10.5% of the cash value of unclaimed property delivered to the State by or on behalf of a holder whose records were examined by Kelmar. *See* page 3 of **Exhibit 1**. This rate of compensation applied to unclaimed property examinations authorized on or after July 1, 2018.

Under Section 4 the State further agreed to pay Kelmar at the rate of ten and one half percent (10.5%) of the cash value of unclaimed property recovered as a result of the services provided by Kelmar, including all property that is specifically identified and remitted by Kelmar that would otherwise not have been timely reported and delivered to the State absent Kelmar's identification and remittance of the unclaimed property (even if not remitted to the State until after a report is filed by Kelmar with the State). *See* page 3 of **Exhibit 1**.

Pursuant to the Current Contract, Kelmar has provided the State with all required examination documentation, unclaimed property reports, and invoices detailing the auditing services performed thereunder. Kelmar's invoices detail the date of the examination assignment, the cash value of the unclaimed property identified, reported, and delivered to the State, and the contingency fee due and payable to Kelmar by the State. Copies of Kelmar's outstanding invoices are attached hereto and incorporated herein by reference at **Exhibit 2**.

Some of the unpaid invoices attached at **Exhibit 2** relate to unclaimed property examinations authorized by the State under a prior Contract for Unclaimed Property Auditing Services by and between the Arkansas Auditor of State, on behalf of the State of Arkansas, and Kelmar Associates, LLC dated September 24, 2013, as amended on June 30, 2015, June 30, 2016 and June 30, 2017 (the "Prior Contract"), but which have been completed in accordance with the Current Contract. A copy of the Prior Contract is attached hereto and incorporated herein by reference at **Exhibit 3**.

Pursuant to Section 4 of the Prior Contract, the State agreed to pay Kelmar a contingency fee of eleven percent (11%) of the cash value of unclaimed property delivered to the State by or on behalf of the holder whose records were examined by Kelmar pursuant to the Contract. *See* page 5 of **Exhibit 3**.

Effective July 1, 2015, the Parties amended the Prior Contract and agreed that the State would pay Kelmar a contingency fee of ten percent (10%) of the cash value of unclaimed property delivered to the State by or on behalf of the holder whose records were examined by Kelmar. The Parties

likewise agreed that the reduced rate of compensation would only apply to audits initiated on or after July 1, 2015. *See* page 3 of **Exhibit 3**.

At the direction of the State, and pursuant to the Statement of Work agreed upon by the Parties and which remains in effect today, Kelmar has performed its unclaimed property auditing services and remitted all unclaimed property collected after deducting its contingency fee, where possible. *See* page 22 of the Statement of Work, attached hereto and incorporated herein by reference at **Exhibit 4**.

Pursuant to the Statement of Work, in the event of a securities examination where the unclaimed property is not in a liquidated form, Kelmar is required to "calculate its fee based on the value of the closing price of any security trading on an exchange, on the date the security is received by the State. If the security is traded in the over-the-counter market, then at the bid price as set forth in the pink sheets or any other validated pricing market on the date the security is registered to the State. Kelmar shall then deduct its fee from the proceeds of the next delivery of property to the State." *See* page 22 of **Exhibit 4**.

As the years have passed and much of the unclaimed property identified, reported, and delivered by Kelmar to the State has been in the form of securities that are not in a liquidated form, Kelmar has been unable to deduct its contingency fee due under the Current Contract and/or the Prior Contract. Consequently, the contingency fee due and owing to Kelmar by the State for services performed has mounted and remained unpaid.

Kelmar has discussed the outstanding amounts due for the services performed with the Arkansas Auditor of State on multiple occasions and requested payment. The State has acknowledged Kelmar's satisfactory completion of the unclaimed property examination services and the amounts due to Kelmar for its services. However, in response to Kelmar's request for payment and production of invoices due, the State has indicated that it does not currently have a means of paying Kelmar absent legislative appropriation. Accordingly, Kelmar has been left with no alternative but to file the instant Complaint for submittal to the State Claims Commission.

To conclude, as of February 24, 2020, the outstanding amount payable to Kelmar from the State for Kelmar's performance of unclaimed property auditing services is One Hundred Thirty Thousand Nine Hundred Forty Dollars and Twenty-Two Cents (\$130,940.22).

ATTACHMENT ONE

EXHIBIT 1

**AGREEMENT TO EXTEND THE TERMS OF THE CONTRACT BETWEEN THE
STATE OF ARKANSAS AND KELMAR ASSOCIATES, LLC FOR UNCLAIMED
PROPERTY AUDITING SERVICES**

The Arkansas Auditor of State, on behalf of the State of Arkansas, and Kelmar Associates, LLC agree to extend the terms of the July 1, 2018, through June 30, 2019, Contract Between the State of Arkansas and Kelmar Associates, LLC for Unclaimed Property Auditing Services and all amendments to the Contract to include the period of July 1, 2019, through June 30, 2020.

In witness whereof, the parties have executed the within Agreement on the 30th day of June 2019.

STATE OF ARKANSAS

BY: 

TITLE: Deputy Auditor of State

KELMAR ASSOCIATES, LLC

BY: 

TITLE: Member & General Counsel

**CONTRACT BETWEEN THE STATE OF ARKANSAS AND KELMAR ASSOCIATES
LLC, FOR UNCLAIMED PROPERTY AUDITING SERVICES**

1.) Parties to the Contract:

This Contract (the "Contract") is entered into this 1st day of July 2018 by and between the Arkansas Auditor of State, on behalf of the State of Arkansas (hereinafter referred to as "State" or "Arkansas"), and Kelmar Associates, LLC, (hereinafter referred to as "Kelmar").

2.) Scope of Contract:

Arkansas hereby engages Kelmar to perform unclaimed property audit services for a period set forth below:

Kelmar shall provide out-of-state and in-state unclaimed property examination and auditing services, pursuant to Arkansas Code Annotated § 18-28-201 *et seq.* Under the law, holders of abandoned property must make a determined effort to locate the rightful owners of such property. If, after a certain period of time, such holders are unsuccessful in locating rightful owners, they are required to remit such property, along with a report listing such property, to Arkansas. As part of its efforts to ensure that out-of-state and in-state holders properly report in Arkansas, the State has entered into this Contract with Kelmar, which shall be responsible for examining and auditing the books of selected holders and guaranteeing the remittal of abandoned property to Arkansas in an appropriate reporting format ("auditing services"). Kelmar shall submit a report of unclaimed property in a form described by the State along with an audit report and invoice. The audit report shall provide scope and findings.

Under the direction of Arkansas, Kelmar shall provide the following services:

Kelmar shall be responsible for identifying abandoned property in the possession of various out-of-state and in-state businesses, institutions, etc. that has not been reported and/or delivered to Arkansas and auditing the books of these selected holders for the purpose of processing unclaimed property reports to be filed with Arkansas and arranging for the delivery of unclaimed property to the State in accordance with Arkansas Code Annotated § 18-28-201 *et seq.* Any document, such as an engagement letter, signed between Kelmar and holders of abandoned property shall state that entering into the agreement in no way diminishes rights Arkansas holds under Arkansas Code Annotated § 18-28-201 *et seq.* to audit the books of such entity to determine compliance with the law.

Kelmar shall be responsible for determining if the selected entities have not reported, or have not properly reported, abandoned property to Arkansas in accordance with the requirements of Arkansas Code Annotated § 18-28-201 *et seq.*

Kelmar shall then coordinate the delivery of the identified abandoned property to Arkansas, or to a custodian of the State, in compliance with Arkansas Code Annotated § 18-28-201 *et seq.*

Audits may be conducted by Kelmar on behalf of Arkansas alone or in conjunction with auditors conducted by Kelmar on behalf of other state with which Kelmar has entered into contracts. In the event that audits are conducted on behalf of multiple states, Kelmar may disclose information it

acquires through the audit process with such state pursuant to a plan whereby Arkansas benefits from such reciprocal discoveries. The State and Kelmar shall jointly establish all necessary procedure related to the sharing of such information, as well as all procedure relating to the examination of holder records and the reporting and delivery of unclaimed property in connection with a multistate audit. Prior to sharing information on an Arkansas initiated audit, written permission shall be obtained from Arkansas.

3.) Contract Term:

This contract shall be for a period of one (1) year, from July 1, 2018 through June 30, 2019. Upon mutual agreement between the parties, this contract may be extended for three (3) additional one (1) year periods under the same terms and conditions as the original contract including compensation.

4.) Compensation:

Arkansas agrees to pay Kelmar 10.5% of the cash value of unclaimed property delivered to the State by or on behalf of the holder whose records are examined by Kelmar pursuant to this Contract.

Kelmar shall be entitled to be paid the foregoing rates for all property recovered as a result of the services it provides, including all property that is specifically identified and remitted by Kelmar that otherwise would not have been timely reported and delivered by holders absent its identification and remittance by Kelmar even if it is not remitted to the State until after a report is filed by Kelmar with the State.

5.) Enforcement Actions:

In the event that the State is required to initiate an enforcement action in order to recover from a holder any of the unclaimed property identified by Kelmar during the course of providing auditing services under this Contract, Kelmar shall remain entitled to be compensated in accordance with the terms of Section 4 upon recovery of such property.

The State shall seek Kelmar input in determining whether an enforcement action is necessary and Kelmar is expected to cooperate with the State in any enforcement action that is brought.

6.) Termination or Suspension:

The Contract shall terminate on the date specified in the Contract unless this date is properly amended prior to this date, or unless terminated or suspended under this Section or Section 15 upon prior written notice to Kelmar. The State may terminate the Contract if Kelmar breaches any material term or condition or fails to perform or fulfill any material obligation required by the Contract or in the event of an unforeseen public emergency mandating immediate action. The notice shall specify the acts or omissions relied upon as cause for termination.

7.) Survival:

Notwithstanding the termination of the Contract, Kelmar shall continue to be entitled to be paid compensation as provided for in Section 4, as if the Contract were still in effect, with respect to

any property that Kelmar identified as being abandoned prior to the date the Contract was terminated, provided that Kelmar notified the holders of the identified property of their obligation to deliver the property to the State prior to the date the Contract was terminated and the State subsequently recovers the identified property from such holders.

8.) Retention of Records:

Kelmar shall retain and maintain all records and documents relating to this Contract for three years after final payment by the State hereunder or any applicable statute of limitations, whichever is longer, and shall make them available for inspection and audit by authorized representatives of the State, including the procurement officer or designee, at all reasonable times.

9.) Independence, Liability:

Kelmar shall act in an independent capacity and not as officers or employees of the State. Kelmar shall indemnify, defend and hold harmless the State and its officers and employees from liability and any claims, suits, judgments, and damages arising as a result of Kelmar acts and/or omissions in the performance of this Contract.

10.) Reliance by the State on Representations:

All payments by the State under this Contract will be made in the reliance upon the accuracy of all prior written representations by Kelmar, including but not limited to bills, invoices, progress reports and other proofs of work.

11.) Conflicts of Interest:

Unless otherwise waived by the State, Kelmar shall not audit any entity with whom it or its agents, parent company, holding company or subsidiary have a business relationship.

12.) Applicable Law:

This Contract shall be governed by the laws of the State of Arkansas.

13.) Compliance with Laws:

Kelmar hereby represents and warrants that:

- A. It is qualified to do business in the State and that it shall take such action as, from time to time hereafter, may be necessary to remain so qualified;
- B. It is not in arrears with respect to the payment of any monies due and owing the State, or any department or unit thereof, including but not limited to the payment of taxes and employee benefits, and that it shall not become so in arrears during the term of this Contract;
- C. It shall comply with all federal, state and local laws, regulations, and ordinances applicable to its activities and obligations under this Contract; and
- D. It shall obtain, at its expense, all licenses, permits, insurance, and governmental approvals, if any, necessary to the performance of its obligations under this contract.

14.) Affirmative Action, Non-Discrimination in Hiring and Employment:

Kelmar shall comply with all federal and state laws, rules and regulations promoting fair employment practices or prohibiting employment discrimination and unfair labor practices and shall not discriminate in the hiring of any applicant for employment nor shall any qualified employee be demoted, discharged or otherwise subject to discrimination in the tenure, position, promotional opportunities, wages, benefits or terms and conditions of their employment because of race, color, national origin, ancestry, age, sex, religion, disability, handicap, sexual orientation or for exercising any rights afforded by law.

15.) Non- Appropriation of Funding:

The State may terminate the Contract if funds are not appropriated or are not otherwise available for the purpose of making payments without incurring any obligation for payment after the date of termination.

16.) Amendment:

No changes, modifications, or amendments in the terms and conditions of this contract shall be effective unless reduced to writing, numbered, and signed by the duly authorized representative of the State and Kelmar.

17.) Assignment:

Kelmar may not assign this Contract or any of its rights or obligations hereunder, without the prior written approval of the State. Any such subcontract or assignment shall be subject to any terms and conditions that the State deems necessary to protect its interests. The State shall not be responsible for the fulfillment of Kelmar's obligations to the subcontractors.

18.) Entire Agreement:

This Contract represents the entire agreement between the parties on the subject matter. All prior agreements, representations, statements negotiations, and understandings shall have no effect.

IN WITNESS WHEREOF, the parties have executed the within Agreement on the day and year first above written.

STATE OF ARKANSAS

BY: LA

TITLE: Dept. Auditor of State

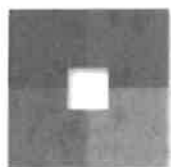
KELMAR ASSOCIATES, LLC

BY: Mark & Russ

TITLE: CEO & Member

ATTACHMENT ONE

EXHIBIT 2a



KELMAR

Summary of Fees Owed to Kelmar Associates, LLC for Completion of Unclaimed Property Services

February 25, 2020

Invoice Number	Holder	Invoice Date	Net Amount Due as of 2/24/2020	Days Outstanding
2016-AR-002	Computershare	6/15/2016	\$12,942.34	1349
2016-AR-004	Computershare	8/9/2016	\$90,963.13	1294
2017-AR-002	Assurant, Inc.	6/28/2016	\$4,584.85	1336
2017-AR-004	Computershare	8/29/2017	\$2,669.39	909
2018-AR-001	Computershare	2/2/2018	\$586.81	752
2018-AR-002	Walt Disney	2/23/2018	\$1,155.25	731
2018-AR-003	Graphic Packaging	5/11/2018	\$19.74	654
2019-AR-002	United States Steel Corp	1/30/2018	\$233.86	755
2019-AR-007	Eli Lilly	9/20/2019	\$17,784.85	157
			\$130,940.22	

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ATTACHMENT ONE

EXHIBIT 2

DETAIL HISTORICAL AGED TRIAL BALANCE

Kelmar Associates, LLC
Receivables Management

Ranges:

Customer ID: ARKANSAS001 - ARKANSAS001
Customer Class: First - Last
Salesperson ID: First - Last
Sales Territory: First - Last

User-Defined 1: First - Last
Customer Name: First - Last
Short Name: First - Last
Posting Date: First - 2/24/2020

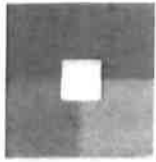
State: First - Last
Telephone: First - Last
ZIP Code: First - Last

Account Type: All
Aging Date: 2/24/2020
Print Currency In: Functional (USD)
Exclude: Zero Balance, No Activity, Fully Paid Documents, Unposted Applied Credit Documents, Multicurrency Info

* - Indicates an unposted credit document that has been applied.

Customer: ARKANSAS001 Name: State of Arkansas

Document Number	PSA Project	Date	Amount	Discount	Writeoff	Current	0-30 Days	31 - 60 Days	61 and Over
2016-AR-002	COMPUTERSHARE	6/15/2016	\$86,997.57						\$86,997.57
PYMNT0001756		5/6/2019							-\$69.42
PYMNT0001775		5/10/2019							-\$9,783.00
PYMNT0001810		5/22/2019							-\$42,188.21
PYMNT0002046		9/10/2019							-\$37.54
PYMNT0002368		2/18/2020							-\$1,977.06
2016-AR-004	KEL8071 8155 COMPUTE	8/9/2016	\$90,963.13						\$90,963.13
2017-AR-002	ASSURANT INC	6/28/2017	\$4,584.85						\$4,584.85
2017-AR-004	KEL7130 COMPUTERSHA	8/29/2017	\$13,977.63						\$13,977.63
PYMNT0000935		8/30/2017							-\$11,308.24
2018-AR-001	KEL9713 COMPUTERSHA	2/2/2018	\$591.69						\$591.69
PYMNT0001111		2/2/2018							-\$4.88
2018-AR-002	KEL9286 WALT DISNEY	2/23/2018	\$1,233.29						\$1,233.29
PYMNT0001161		3/21/2018							-\$76.04
2018-AR-003	KEL5492 GRAPHIC PACK	5/11/2018	\$19.74						\$19.74
2019-AR-002	KEL12939 UNITED STAT	1/30/2019	\$233.86						\$233.86
2019-AR-007	KEL13611 ELI LILLY A	9/20/2019	\$20,229.75						\$20,229.75
PYMNT0002378		12/31/2019							-\$2,444.90
2020-AR-001	KEL16656 DELUXE CORP	1/3/2020	\$174.85					\$174.85	
PYMNT0002292		1/8/2020						-\$134.40	



KELMAR

Invoice No. 2016-AR-002
Holder Name Computershare
Invoice Date June 15, 2016

State of Arkansas
Unclaimed Property Division
1401 W. Capitol Avenue, Suite 325
Little Rock, AR 72201

Kelmar's contract rate for the services provided is a contingency fee of eleven percent (11%) of the gross amount identified, paid and reported to the State of Arkansas as a result of the services performed by Kelmar. The period in which Kelmar examined and identified unclaimed property consisted of all prior reporting cycles.

Holder Name: Computershare

INVOICE:

Remittance Date:	2015 Annual Filing
Share Value:	
Share Entitlement	10,872 shares
Average price per share at remittance date	X \$43.99
	\$478,290.50
Cash Value:	\$130,778.36
Total amount identified, paid, and reported:	\$609,068.86
Contract Rate	11%
Total Amount Due to Kelmar:	\$66,997.57



REMITTANCE:

Amount Due from Above	\$66,997.57
Less: Amount to be withheld from future Holder receipts	(\$66,997.57)
Net Amount Remitted to Arkansas:	\$0.00

Thank you for choosing Kelmar. If you have any questions regarding this invoice, please contact our billing department.

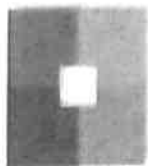
Very truly yours,

Michael J. LeBlanc
CFO & Member

 Emailed
to MS & entered
MS 6/17/16


Kelmar Associates, LLC
500 Edgewater Drive, Suite 525
Wakefield, MA 01880

Billing Inquiries: Billing@KelmarAssoc.com
Phone: 781.213.6926 Fax: 781.928.9258



KELMAR

State of Arkansas
Escheated in the 2015 Annual Filing

Holder: Computershare
FEIN: N/A
Property Type(s): Securities for which Computershare acts as agent
Examination Assigned On: 3/19/2014

Report Years Reviewed: Through Report Year 2014

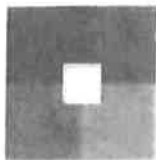
Security Price Date: 10/30/2015
Closing Price of Security: Various
Share Value: \$ 478,290.50
Cash Value: \$ 130,778.36
Total Value: \$ 609,068.86

Respectfully Submitted on

April 15, 2016

John DeMarco
Vice President
Kelmar Associates, LLC

Andrew Harmon
Senior Manager
Kelmar Associates, LLC



KELMAR

Invoice No. 2016-AR-004
Project KEL6071 & KEL6155
Invoice Date August 9, 2016

State of Arkansas
Unclaimed Property Division
1401 W. Capitol Avenue, Suite 325
Little Rock, AR 72201

Kelmar's contract rate for the services provided is a contingency fee of eleven percent (11%) of the gross amount identified, paid and reported to the State of Arkansas as a result of the services performed by Kelmar. The period in which Kelmar examined and identified unclaimed property consisted of all prior reporting cycles.

Holder Name: Computershare

Remittance Date:		2015 Annual Filing
Prior Filing 2015 Acquisitions:		
Share Value:	\$694,880.05	(22,837.645 shares @ various price per share)
Cash Value:	\$404.97	
Total Remittance	\$695,285.02	
Prior Filing Securities 2015 Maturity:		
Share Value:	\$88,684.75	(1,925 shares @ various price per share)
Cash Value:	\$42,967.79	
Total Remittance	\$131,652.54	
Total amount identified, paid, and reported:		\$826,937.56
Contract Rate		11%
Total Amount due to Kelmar:		\$90,963.13
REMITTANCE		
Amount Due From Above		\$90,963.13
Less: Amount to be Withheld from Future Holder Receipts		(\$90,963.13)
Net Amount Remitted to Arkansas:		0.00

Thank you for choosing Kelmar. If you have any questions regarding this invoice, please contact our billing department.

Very truly yours,

Michael J. LeBlanc
CFO & Member



MS emailed
MS 8/15/16
& Entered

Kelmar Associates, LLC
500 Edgewater Drive, Suite 525
Wakefield, MA 01880

Billing Inquiries: Billing@KelmarAssoc.com
Phone: 781.213.6926 Fax: 781.928.9258



KELMAR

Invoice No. 2017-AR-004
Project KEL7130
Invoice Date 8/29/2017

Josh Wood
Arkansas State Auditor's Office
Unclaimed Property Division
P.O. Box 251906
Little Rock, AR 72225-1906

Dear Mr. Wood,

Kelmar's contract rate for the services provided is a contingency fee of 11.0% of the gross amount identified, paid and reported to the State of Arkansas as a result of the services performed by Kelmar. The period in which Kelmar examined and identified unclaimed property consisted of all prior reporting cycles.

Holder Name: Computershare

FEIN:

Holder Address: 250 Royall St. Canton MA, 02021

State of Incorporation: N/A

INVOICE:

Remittance Date:	7/31/2017
Share Entitlement:	2473 shares
Price Per Share at Remittance Date:	X \$46.81
Share Value:	\$115,761.13
Cash Value:	\$11,308.24
Total amount identified, paid, and reported:	\$127,069.37
Contract Rate:	11.0%
Total Amount Due to Kelmar:	\$13,977.63

REMITTANCE:

Amount Due from above:	\$13,977.63
Less: Amount Received into Escrow from Holder:	(\$11,308.24)
Less: Amount to be Withheld from future Holder Receipts:	(\$2,669.39)
Net Amount Remitted to Arkansas:	\$0.00

Thank you for choosing Kelmar. If you have any questions regarding this invoice, please contact our billing department.

Very truly yours,

Michael J. LeBlanc
CFO & Member

Enclosed to us
8/29/17

Kelmar Associates, LLC
500 Edgewater Drive, Suite 525
Wakefield, MA 01880

Billing Inquiries: Billing@KelmarAssoc.com
Phone: 781.213.6926 Fax: 781.928.9258



KELMAR

Invoice No. 2018-AR-001
Project KEL9713
Invoice Date 2/2/2018

Josh Wood
Arkansas State Auditor's Office
Unclaimed Property Division
P.O. Box 251906
Little Rock, AR 72225-1906

Dear Mr. Wood,

Kelmar's contract rate for the services provided is a contingency fee of 11.0% of the gross amount identified, paid and reported to the State of Arkansas as a result of the services performed by Kelmar. The period in which Kelmar examined and identified unclaimed property consisted of all prior reporting cycles.

Holder Name: Computershare

FEIN:

Holder Address: 250 Royall St., Canton, MA 02021

State of Incorporation: N/A

INVOICE:

Remittance Date: 12/22/2017

Share Entitlement: 64 shares

Price Per Share at Remittance Date: X \$83.97

Share Value: \$5,374.08

Cash Value: \$4.88

Total amount identified, paid, and reported: \$5,378.96

Contract Rate: 11.0%

Total Amount Due to Kelmar: \$591.69

REMITTANCE:

Amount Due from above: \$591.69

Less: Amount Received into Escrow from Holder: (\$4.88)

Less: Amount Due to be Withheld from Future Holder Receipts: (\$586.81)

Net Amount Remitted to Arkansas: \$0.00

Thank you for choosing Kelmar. If you have any questions regarding this invoice, please contact our billing department.

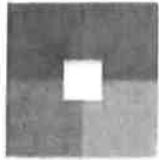
Very truly yours,

Elizabeth S. Sullivan, CPA
Controller

*Emailed to AP
2/2/18*

Kelmar Associates, LLC
500 Edgewater Drive, Suite 525
Wakefield, MA 01880

Billing Inquiries: Billing@KelmarAssoc.com
Phone: 781.213.6926 Fax: 781.928.9258



KELMAR

Invoice No. 2017-AR-002
Project KEL8140
Invoice Date June 28, 2017

Mr. Josh Wood
Compliance Officer
Arkansas State Auditor's Office
Unclaimed Property Division
P.O. Box 251906
Little Rock, AR 72225-1906

Dear Mr. Wood,

Kelmar's contract rate for the services provided is a contingency fee of eleven percent (11%) of the gross amount identified, paid and reported to the State of Arkansas as a result of the services performed by Kelmar. The period in which Kelmar examined and identified unclaimed property consisted of all prior reporting cycles.

Holder Name: Assurant, Inc.

INVOICE:

Amount of DEMANDABLE Property:	\$41,680.46
Contract Rate	11%
Total Amount Due to Kelmar:	\$4,584.85

REMITTANCE:

Amount Due from Above	\$4,584.85
Less: Amount to be withheld from future Holder receipts	(\$4,584.85)
Net Amount Remitted to Arkansas:	\$0.00

Thank you for choosing Kelmar. If you have any questions regarding this invoice, please contact our billing department.

Very truly yours,

Elizabeth S. Sullivan, CPA
Controller


MS Emailed
to MS
6/29/17

entered

Kelmar Associates, LLC
500 Edgewater Drive, Suite 525
Wakefield, MA 01880

Billing Inquiries: Billing@KelmarAssoc.com
Phone: 781.213.6926 Fax: 781.928.9258



KELMAR

Invoice No. 2018-AR-002
Project KEL9286
Invoice Date 3/23/2018

Josh Wood
Arkansas State Auditor's Office
Unclaimed Property Division
P.O. Box 251906
Little Rock, AR 72225-1906

Dear Mr. Wood,

Kelmar's contract rate for the services provided is a contingency fee of 11.0% of the gross amount identified, paid and reported to the State of Arkansas as a result of the services performed by Kelmar. The period in which Kelmar examined and identified unclaimed property consisted of all prior reporting cycles.

Holder Name: The Walt Disney Company

FEIN: [REDACTED]

Holder Address: 500 S. Buena Vista St., Burbank, CA

State of Incorporation: DE

INVOICE:


Remittance Date:	2/9/2018
Share Entitlement:	108 shares
Price Per Share at Remittance Date:	X \$103.09
Share Value:	\$11,133.72
Cash Value:	\$78.04
Total amount identified, paid, and reported:	\$11,211.76
Contract Rate:	11.0%
Total Amount Due to Kelmar:	\$1,233.29

REMITTANCE:

Amount Due from above:	\$1,233.29
Less: Amount Received into Escrow from Holder:	(\$78.04)
Less: Amount due to be Withheld from Future Holder Receipts:	(\$1,155.25)
Net Amount Remitted to Arkansas:	\$0.00

Thank you for choosing Kelmar. If you have any questions regarding this invoice, please contact our billing department.

Very truly yours,


Elizabeth S. Sullivan, CPA
Controller

enclosed to me
3/27/18



KELMAR

Invoice No. 2018-AR-003
Project KEL5492
Invoice Date 5/11/2018

Josh Wood
Arkansas State Auditor's Office
Unclaimed Property Division
P.O. Box 251906
Little Rock, AR 72225-1906

Dear Mr. Wood,

Kelmar's contract rate for the services provided is a contingency fee of 11.0% of the gross amount identified, paid and reported to the State of Arkansas as a result of the services performed by Kelmar. The period in which Kelmar examined and identified unclaimed property consisted of all prior reporting cycles.

Holder Name: Graphic Packaging Holding Co
Holder Address: 1500 Riveredge Parkway, Suite 100
Atlanta, GA 30328

FEIN: [REDACTED]
State of Incorporation: DE

INVOICE:

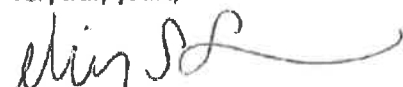
Remittance Date:	2/8/2018
Share Entitlement:	12 shares
Price Per Share at Remittance Date:	\$14.52
Share Value:	\$174.24
Cash Value:	\$5.25
Total amount identified, paid, and reported:	\$179.49
Contract Rate:	11.0%
Total Amount Due to Kelmar:	\$19.74

REMITTANCE:

Amount Due from above	\$19.74
Less: Amount due to be withheld from Future Holder Receipts	(\$19.74)
Net Amount Remitted to Arkansas :	\$0.00

Thank you for choosing Kelmar. If you have any questions regarding this invoice, please contact our billing department.

Very truly yours,


Elizabeth S. Sullivan, CPA
Controller



emailed to ms 5/11/18



KELMAR

Invoice No. 2019-AR-002
Project KEL12939
Invoice Date 1/30/2019

Josh Wood
Arkansas State Auditor's Office
Unclaimed Property Division
P.O. Box 251906
Little Rock, AR 72225-1906

Dear Mr. Wood,

Kelmar's contract rate for the services provided is a contingency fee of 10.0% of the gross amount identified, paid and reported to the State of Arkansas as a result of the services performed by Kelmar. The period in which Kelmar examined and identified unclaimed property consisted of all prior reporting cycles.

Holder Name: United States Steel Corporation FEIN: [REDACTED]
Holder Address: 600 Grant Street, Pittsburgh, PA 15219 State of Incorporation: DE

INVOICE:

Remittance Date:	1/2/2019
Share Entitlement:	126 shares
Price Per Share at Remittance Date:	\$18.51
Share Value:	\$2,332.26
Cash Value:	\$6.32
Total amount identified, paid, and reported:	\$2,338.58
Contract Rate:	10.0%
Total Amount Due to Kelmar:	\$233.86

REMITTANCE:

Amount Due from above:	\$233.86
Less: Amount due to be withheld from Future Holder Receipts:	(\$233.86)
Net Amount Remitted to Arkansas :	\$0.00

Thank you for choosing Kelmar. If you have any questions regarding this invoice, please contact our billing department.

Very truly yours,

Elizabeth S. Sullivan, CPA
Controller

**KELMAR**

Invoice No. 2019-AR-007
Project KEL13611
Invoice Date 9/20/2019

Josh Wood
Arkansas State Auditor's Office
Unclaimed Property Division
P.O. Box 251906
Little Rock, AR 72225-1906

Dear Mr. Wood,

Kelmar's contract rate for the services provided is a contingency fee of 10% of the gross amount identified, paid and reported to the State of Arkansas as a result of the services performed by Kelmar.

Holder Name: Eli Lilly and Company
Holder Address: Lilly Corporate Center
Indianapolis, IN 46285

FEIN: [REDACTED]
State of Incorporation: IN

INVOICE:

Remittance Date:	9/18/2019
Share Entitlement:	1773
Price Per Share at Remittance Date:	\$112.72
Share Value:	\$199,852.56
Cash Value:	\$2,444.90
Total amount identified, paid, and reported:	\$202,297.46
Contract Rate:	10.0%
Total Amount Due to Kelmar:	\$20,229.75

REMITTANCE:

Amount Due from above:	\$20,229.75
Less: Amount Received into Escrow from Holder:	(\$2,444.90)
Less: Amount due to be withheld from Future Holder	(\$17,784.85)
Receipts:	
Net Amount Remitted to Arkansas:	\$0.00

Thank you for choosing Kelmar. If you have any questions regarding this invoice, please contact our billing department at billing@kelmarassoc.com.

Very truly yours,

Elizabeth S. Sullivan, CPA
Controller

ATTACHMENT ONE

EXHIBIT 3

**AGREEMENT TO EXTEND THE TERMS OF THE CONTRACT BETWEEN THE
STATE OF ARKANSAS AND KELMAR ASSOCIATES, LLC FOR UNCLAIMED
PROPERTY AUDITING SERVICES**

The Arkansas Auditor of State, on behalf of the State of Arkansas, and Kelmar Associates, LLC, agree to extend the terms of the September 24, 2013, through June 30, 2015, Contract Between the State of Arkansas and Kelmar Associates, LLC, for Unclaimed Property Auditing Services and all amendments to the Contract to include the period of July 1, 2017, through June 30, 2018.

In witness whereof, the parties have executed the within Agreement on the 30th day of June 2017.

STATE OF ARKANSAS

BY:  BRADLEY D. ENGEL

TITLE: UCP DIRECTOR - ARKANSAS

KELMAR ASSOCIATES, LLC

BY: 

TITLE: General Counsel

**AGREEMENT TO EXTEND THE TERMS OF THE CONTRACT BETWEEN THE
STATE OF ARKANSAS AND KELMAR ASSOCIATES, LLC FOR UNCLAIMED
PROPERTY AUDITING SERVICES**

The Arkansas Auditor of State, on behalf of the State of Arkansas, and Kelmar Associates, LLC, agree to extend the terms of the July 1, 2013, through June 30, 2015, Contract Between the State of Arkansas and Kelmar Associates, LLC, for Unclaimed Property Auditing Services and all amendments to the Contract to include the period of July 1, 2016, through June 30, 2017.

In witness whereof, the parties have executed the within Agreement on the 30th day of June 2016.

STATE OF ARKANSAS

BY: 

TITLE: Auditor of State

KELMAR ASSOCIATES, LLC

BY: 

David P. Kennedy

TITLE: General Counsel & Member

**AGREEMENT TO EXTEND THE TERMS OF THE CONTRACT BETWEEN THE STATE OF
ARKANSAS AND KELMAR ASSOCIATES, LLC FOR UNCLAIMED PROPERTY AUDITING
SERVICES**

The Arkansas Auditor of State, on behalf of the State of Arkansas (hereinafter referred to as "State" or "Arkansas"), and Kelmar Associates, LLC, ("Kelmar") agree to extend the terms of the July 1, 2013, through June 30, 2015, Contract Between the State of Arkansas and Kelmar Associates, LLC for Unclaimed Property Auditing Services to include the period of July 1, 2015, through June 30, 2016, with the following amendments:

1. Section 2, Paragraph 7 of the original contract is amended to read:

Audits may be conducted by Kelmar on behalf of Arkansas alone or in conjunction with audits conducted by Kelmar on behalf of other states with which Kelmar has entered into contracts. In the event that audits are conducted on behalf of multiple states, Kelmar may disclose information it acquires through the audit process with such states pursuant to a plan whereby Arkansas benefits from such reciprocal discoveries. The State and Kelmar shall jointly establish all necessary procedures related to the sharing of such information, as well as all procedures relating to the examination of holder records and the reporting and delivery of unclaimed property connection with a multistate audit. Prior to sharing information on an Arkansas initiated audit, Kelmar must obtain written permission from Arkansas.

2. Section 4, Paragraph 1 of the original contract is amended to read:

Arkansas agrees to pay Kelmar 10% of the cash value of unclaimed property delivered to the State by or on behalf of the holder whose records are examined by Kelmar pursuant to this Contract. This rate of compensation shall only apply to audits initiated on or after July 1, 2015.

The amendments listed above will only apply to audits initiated on or after July 1, 2015. All other provisions of the July 1, 2013, through June 30, 2015, Contract Between the State of Arkansas and Kelmar Associates, LLC for Unclaimed Property Auditing Services will remain in effect during the term of the contract extension.

In witness whereof, the parties have executed the within Agreement on the 30th day of June 2015.

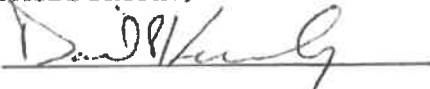
STATE OF ARKANSAS

Signature: 

BY: Dr. George R. Franks, Jr.

TITLE: Chief Deputy Auditor

KELMAR ASSOCIATES, LLC

Signature: 

BY: David P. Kennedy

TITLE: General Counsel & Member

**CONTRACT BETWEEN THE STATE OF ARKANSAS AND KELMAR ASSOCIATES, LLC
FOR UNCLAIMED PROPERTY AUDITING SERVICES**

1. Parties to the Contract:

This Contract (the "Contract") is entered into this 24th day of September 2013 by and between the Arkansas Auditor of State, on behalf of the State of Arkansas (hereinafter referred to as "State" or "Arkansas"), and Kelmar Associates, LLC, (hereinafter referred to as "Kelmar").

2. Scope of Contract

Arkansas hereby engages Kelmar to perform unclaimed property audit services for a period as set forth below:

Kelmar shall provide out-of-state and in-state unclaimed property examination and auditing services, pursuant to Arkansas Code Annotated § 18-28-201 *et seq.* Under the law, holders of abandoned property must make a determined effort to locate the rightful owners of such property. If, after a certain period of time, such holders are unsuccessful in locating rightful owners, they are required to remit such property, along with a report listing such property, to Arkansas. As part of its efforts to ensure that out-of-state and in-state holders properly report in Arkansas, the State has entered into this Contract with Kelmar, which will be responsible for examining and auditing the books of selected holders and guaranteeing the remittal of abandoned property to Arkansas in an appropriate reporting format ("auditing services").

Under the direction of Arkansas, Kelmar will provide the following services:

Kelmar shall be responsible for identifying abandoned property in the possession of various out-of-state and in-state businesses, institutions, etc. that has not been reported and/or delivered to Arkansas and auditing the books of these selected holders for the purpose of processing unclaimed property reports to be filed with Arkansas and arranging for the delivery of unclaimed property to the State in accordance with Arkansas Code Annotated § 18-28-201 *et seq.* Any document, such as an engagement letter, signed between Kelmar and holders of abandoned property shall state that entering into the agreement in no way diminishes rights Arkansas holds under Arkansas Code Annotated § 18-28-201 *et seq.* to audit the books of such entity to determine compliance with the law.

Kelmar will be responsible for determining if the selected entities have not reported, or have not properly reported, abandoned property to Arkansas in accordance with the requirements of Arkansas Code Annotated § 18-28-201 *et seq.*

Kelmar shall then coordinate the delivery of the identified abandoned property to Arkansas, or to a custodian of the State, in compliance with Arkansas Code Annotated § 18-28-201 *et seq.*

Audits may be conducted by Kelmar on behalf of Arkansas alone or in conjunction with audits conducted by Kelmar on behalf of other states with which Kelmar has entered into contracts. In the event that audits are conducted on behalf of multiple states, Kelmar may disclose information it acquires through the audit process with such states pursuant to a plan whereby Arkansas benefits from such reciprocal discoveries. The State and Kelmar shall jointly establish all necessary procedures related to the sharing of such information, as well as all procedures relating

to the examination of holder records and the reporting and delivery of unclaimed property in connection with a multistate audit.

3. Contract Term:

This contract will be for a period of one (1) year, nine (9) months and six (6) days from September 24, 2013 through June 30, 2015. Upon mutual agreement between the parties, this contract may be extended for three (3) additional one (1) year periods under the same terms and conditions as the original contract including compensation.

4. Compensation:

Arkansas agrees to pay Kelmar 11 % of the cash value of unclaimed property delivered to the State by or on behalf of the holder whose records are examined by Kelmar pursuant to this Contract.

Kelmar shall be entitled to be paid the foregoing rates for all property recovered as a result of the services it provides, including all property that is specifically identified by Kelmar that otherwise would not have been timely reported and delivered by holders absent its identification by Kelmar even if it is not remitted to the State until after a report is filed by Kelmar with the State.

5. Enforcement Actions:

In the event that the State is required to initiate an enforcement action in order to recover from a holder any of the unclaimed property identified by Kelmar during the course of providing auditing services under this Contract, Kelmar shall remain entitled to be compensated in accordance with the terms of Section 4 upon recovery of such property.

The State shall seek Kelmar input in determining whether an enforcement action is necessary and Kelmar is expected to cooperate with the State in any enforcement action that is brought.

6. Termination or Suspension:

The Contract shall terminate on the date specified in the Contract unless this date is properly amended prior to this date, or unless terminated or suspended under this Section or Section 15 upon prior written notice to Kelmar. The State may terminate the Contract if Kelmar breaches any material term or condition or fails to perform or fulfill any material obligation required by the Contract or in the event of an unforeseen public emergency mandating immediate action. The notice shall specify the acts or omissions relied upon as cause for termination.

7. Survival:

Notwithstanding the termination of the Contract, Kelmar shall continue to be entitled to be paid compensation as provided for in Section 4, as if the Contract were still in effect, with respect to any property that Kelmar identified as being abandoned prior to the date the Contract was terminated, provided that Kelmar notified the holders of the identified property of their obligation to deliver the property to the State prior to the date the Contract was terminated and the State subsequently recovers the identified property from such holders.

8. Retention of Records:

Kelmar shall retain and maintain all records and documents relating to this Contract for three years after final payment by the State hereunder or any applicable statute of limitations, whichever is longer, and shall make them available for inspection and audit by authorized representatives of the State, including the procurement officer or designee, at all reasonable times.

9. Independence, Liability:

Kelmar will act in an independent capacity and not as officers or employees of the State. Kelmar shall indemnify, defend and hold harmless the State and its officers and employees from liability and any claims, suits, judgments, and damages arising as a result of Kelmar acts and/or omissions in the performance of this Contract.

10. Reliance by the State on Representations:

All payments by the State under this Contract will be made in the reliance upon the accuracy of all prior written representations by Kelmar, including but not limited to bills, invoices, progress reports and other proofs of work.

11. Conflicts of Interest:

Unless otherwise waived by the State, Kelmar shall not audit any entity with whom it or its agents, parent company, holding company or subsidiary have a business relationship.

12. Applicable Law:

This contract will be governed by the laws of the State of Arkansas.

13. Compliance with Laws:

Kelmar hereby represents and warrants that:

- A. It is qualified to do business in the State and that it will take such action as, from time to time hereafter, may be necessary to remain so qualified;
- B. It is not in arrears with respect to the payment of any monies due and owing the State, or any department or unit thereof, including but not limited to the payment of taxes and employee benefits, and that it shall not become so in arrears during the term of this Contract;
- C. It shall comply with all federal, state and local laws, regulations, and ordinances applicable to its activities and obligations under this Contract; and
- D. It shall obtain, at its expense, all licenses, permits, insurance, and governmental approvals, if any, necessary to the performance of its obligations under this Contract.

14. Affirmative Action, Non-Discrimination In Hiring And Employment:

Kelmar shall comply with all federal and state laws, rules and regulations promoting fair employment practices or prohibiting employment discrimination and unfair labor practices and shall not discriminate in the hiring of any applicant for employment nor shall any qualified employee be demoted, discharged or otherwise subject to discrimination in the tenure, position, promotional opportunities, wages, benefits or terms and conditions of their employment because of race, color, national origin, ancestry, age, sex, religion, disability, handicap, sexual orientation or for exercising any rights afforded by law.

15. Non-Appropriation of Funding:

The State may terminate the Contract if funds are not appropriated or are not otherwise available for the purpose of making payments without incurring any obligation for payment after the date of termination.

16. Amendment:

No changes, modifications, or amendments in the terms and conditions of this contract shall be effective unless reduced to writing, numbered and signed by the duly authorized representative of the State and Kelmar.

17. Assignment:

Kelmar may not assign this Contract or any of its rights or obligations hereunder, without the prior written approval of the State. Any such subcontract or assignment shall be subject to any terms and conditions that the State deems necessary to protect its interests. The State shall not be responsible for the fulfillment of Kelmar's obligations to the subcontractors.

18. Entire Agreement:

This contract represents the entire agreement between the parties on the subject matter. All prior agreements, representations, statements, negotiations, and understandings shall have no effect.

IN WITNESS WHEREOF, the parties have executed the within Agreement on the day and year first above written.

STATE OF ARKANSAS

BY:

David Harris

TITLE:

Deputy Auditor

KELMAR ASSOCIATES, LLC

BY:

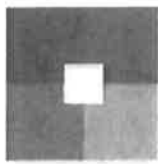
David Kelley

TITLE:

General Counsel & Member

ATTACHMENT ONE

EXHIBIT 4



KELMAR

**Statement of Work for Unclaimed Property Audit
Services Prepared on Behalf of the Arkansas Auditor of
State**

October 2, 2013

Submitted By:

Kelmar Associates, LLC

500 Edgewater Drive, Suite 525

Wakefield, MA 01880

MISSION & PHILOSOPHY

As the only full scope unclaimed property audit contractor in the nation, Kelmar Associates, LLC ("Kelmar" or the "Company") works exclusively on behalf of state governments to develop and enforce their respective unclaimed property compliance programs. Whether auditing property holders, building and implementing a new unclaimed property reporting system, consulting on internal controls, or delivering customized training programs, Kelmar's primary goal is to serve as the premier provider for all unclaimed property services to its client states. Utilizing a business model unlike any other in the industry, Kelmar was founded on the premise that by undertaking a thorough examination of the books and records of a holder, and creating an impeccable work product, Kelmar could achieve its mission to dramatically increase unclaimed property regulatory compliance for its client states, without engaging in conflicted relationships involving contracts with holders and/or their agents. As such, Kelmar will equip the State Auditor with unimpeachable documentation of audit findings that tie back to the unclaimed property liability. This forensic audit methodology has earned Kelmar the reputation of reliability and trustworthiness that has altered the unclaimed property landscape and set the bar for excellence in providing third party audit services to state governments.

EXPERIENCE AND QUALIFICATIONS

Founded in October of 2001 by five individuals with extensive experience in the field of unclaimed property, Kelmar is widely recognized as one of the leading unclaimed property audit contractors in the United States. Since its inception, Kelmar has consistently increased the number of client states represented, audits performed, and the scope of property types reviewed during its state-mandated examinations. Kelmar currently provides full scope unclaimed property audit services to twenty-seven (27) jurisdictions, and has collected hundreds of millions of dollars in unclaimed property liabilities on behalf of these governmental entities.

With one hundred forty-four (144) professionals and five (5) office locations nationwide, Kelmar is able to conduct forensic audits utilizing innovative procedures and systems to identify new and untapped categories of unclaimed property including stored value cards and neo-currency. These audit professionals have in excess of three hundred sixty (360) collective years experience and expertise in all facets of the unclaimed property examination process to determine unclaimed property liabilities on behalf of state governments. To be sure, ninety-five percent of Kelmar's professional workforce is solely dedicated to providing unclaimed property services in connection with Kelmar's state contracts. These individuals are unclaimed property experts that deliver Kelmar's audit services with the highest ethical standards and professional integrity. Having collectively worked hundreds of thousands of hours on unclaimed property examinations involving multi-billion dollar national and international companies across many different industries, Kelmar's auditors are well-suited to perform the services sought by the State of Arkansas. Additional information about the qualifications and experience of Kelmar's professionals are available upon request.

AUDITING SERVICES

Kelmar conducts its audits in accordance with applicable state and federal laws as well as AICPA and GAO auditing standards. The Company has created a comprehensive examination process complete with quality control procedures at each stage of the review. The detailed audit work plans attached hereto and incorporated herein by reference at Exhibit 1 demonstrate Kelmar's audit methodologies and the Company's time-tested ability to yield findings based upon a thorough examination of the books and records of a property holder. This forensic audit approach distinguishes Kelmar from its competitors who merely "process" records, and equips Kelmar's client states with a finished work product that conclusively supports all findings made and assessed.

To convey its findings, Kelmar utilizes proprietary software designed specifically for unclaimed property reporting. In so doing, Kelmar creates and remits reports in the National Association of Unclaimed Property Administrators (NAUPA) standard format required by its state clients. Kelmar's software also permits the Company to customize supplemental reports to further aid its client states in reconnecting rightful owners with their lost property.

General Ledger Audits: By using the forensic audit methodology detailed in the work plans submitted herein, Kelmar is engaged to perform, and has closed, more state mandated general ledger audits annually than any other third party audit contractor. Kelmar also boasts a dynamic audit services team focusing on unique general ledger property types associated with Broker/Dealers, Gift Card / Stored Value Card Companies, and Factoring Companies. The complex nature of Kelmar's reviews and focus on emerging property types such as neo-currency further sets Kelmar apart from other third party contractors.

Securities Audits: Kelmar's securities experts have over fifty years of securities-related unclaimed property experience with each supervising professional having more than a decade of hands on experience reviewing the records of holders, transfer agents and brokerage houses. With firsthand knowledge of record keeping practices and operational protocols of holders, their transfer agents, and brokers, Kelmar's securities professionals are able to issue pointed document requests and to swiftly interpret the large amount of automated data provided in response. As a result, Kelmar is adept at identifying unclaimed property liabilities attributed to issuers who have historically underreported or never reported unclaimed securities liabilities, including common stock and other active CUSIPs, Employee Stock Purchase Plans, Restricted Stock Plans, mergers and acquisitions and bond issuances. In the last three years, Kelmar has performed securities audits of numerous Fortune 500 corporations yielding over 243 million dollars in unclaimed property remittances to states participating in our examinations.

Life Insurance Audits: Beginning in 2007, Kelmar expanded its audit services line to include life insurance company examinations. These audits include a review of general ledger and securities property types as well as unpaid death benefits owed to beneficiaries of life insurance policies, annuity products and retained asset accounts. As prior members of public accounting and consulting firms, Kelmar's insurance specialty professionals have extensive experience auditing large and mid-sized life insurance companies for unclaimed property, and are well-versed on issues involving non-compliance and under reporting of insurance property categories.

In response to the increased scrutiny paid by unclaimed property administrators, states' attorneys general and other state regulators of the consumer protections afforded to retained asset accounts and the potential unclaimed property being held by insurance industry players, Kelmar's insurance team continuously and methodically tracks and analyzes all regulatory actions, industry group directives and insurance company disclosures promulgated in this area. This unique knowledge and expertise allows Kelmar to offer the State Auditor the most comprehensive insurance audit services in the industry which will greatly aid in increasing holder compliance with Arkansas' unclaimed property laws.

BEYOND AUDITING – ADDITIONAL SERVICES OFFERED

As a complement to its auditing services, Kelmar also provides training services to its state clients in a variety of areas including, strategies and best practices for encouraging compliance, emerging industry trends and common pitfalls to reporting, audit selection best practices, the evaluation of self-audits and voluntary disclosure agreements, and the enforcement and application of relevant state and federal laws governing the escheatment of unclaimed property. If desired, Kelmar can also provide the State Auditor with specialized consultation services involving legislative tracking and drafting, legal research, and analysis of a variety of unclaimed property matters.

STATEMENTS & CERTIFICATIONS

In signing and submitting this Statement of Work, David P. Kennedy, General Counsel & Member, certifies, represents and affirms on behalf of Kelmar Associates, LLC ("Kelmar" or the "Company") that:

- a) As the General Counsel & Member of Kelmar, I am authorized to sign this Statement of Work and all required forms in connection with the Agreement including, without limitation, the Contract Grant and Disclosure Form and the Illegal Immigrant Disclosure Form attached hereto and incorporated herein by reference at Exhibits 2 and 3 respectively;
- b) Kelmar and its employees shall adhere to all standards of ethics prescribed by A.C.A 19-11-701 et seq.;
- c) Kelmar will submit a letter to the Auditor of State, for each audit performed, specifically stating that Kelmar is free from any conflict of interest as defined by Section 11 of the Agreement, or if a business relationship with a holder exists that Kelmar believes should not violate Section 11, disclose the nature of that relationship. Notably, Kelmar solely represents state governments in the performance of unclaimed property auditing and advisory services. The Company consistently strives to avoid even the appearance of a conflict in interest in its business and professional relationships with the states, holders and third party holder advocates alike. Consequently, the Company has chosen not to participate in the solicitation of voluntary compliance from holders or to take part

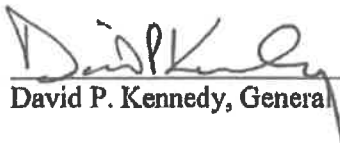
in voluntary examinations of holders. Kelmar understands this decision places the Company in a unique position within the unclaimed property industry, but believes that its appearance of independence and objectivity would be compromised if it were to participate in holder voluntary compliance initiatives. As a result, Kelmar does not receive any fees or revenues from any state (or holder) as a result of voluntary compliance. Moreover, Kelmar does not engage in any business associated with voluntary compliance related activities such as consulting of holders, assisting holders with due diligence requirements, or the preparation/processing of a holder's escheat filings, etc.;

- d) Kelmar is an equal opportunity employer. The Company is committed to providing Equal Opportunity to all employees and applicants for employment in accordance with applicable Equal Employment Opportunity laws, directives, and regulations of federal, state and local governing bodies or agencies thereof. A copy of Kelmar's Equal Employment Opportunity Policy is attached hereto and incorporated herein by reference at **Exhibit 4**; and
- e) Kelmar will not indemnify or grant amnesty to any holder without a written letter of authorization or agreement executed by an officer of the Arkansas Auditor of State's office.

CONCLUSION

Kelmar is enthusiastic about providing unclaimed property examination services to the State of Arkansas. We are confident that the Company's commitment to objectivity, proven performance, and full scope examinations makes Kelmar the premier choice in third party unclaimed property audit companies.

Respectfully submitted,



David P. Kennedy, General Counsel & Member

Exhibit 1

KELMAR'S PROPOSED AUDIT WORK PLAN

The following pages represent Kelmar's comprehensive work plan for general ledger, securities and life insurance examinations (hereinafter the "Work Plan"). Kelmar's Work Plan details Kelmar's proprietary and confidential audit procedures which constitute trade secrets under Arkansas law; specifically the Arkansas Trade Secrets Act, Ark. Code Ann. §§ 4-75-601. Accordingly, Kelmar has marked its Work Plan as "**CONFIDENTIAL**" and respectfully requests that its Work Plan be withheld from disclosure under the Arkansas Freedom of Information Act, Ark. Code Ann. §§ 25-19-101 to 25-19-109.

WORK PLAN: IDENTIFICATION OF POTENTIAL PROPERTY HOLDERS

At the request of the Arkansas State Auditor (the "State Auditor"), Kelmar will conduct research of a specific property holder or industry group to identify business entities subject to audit. Below is an overview of the procedures and methods Kelmar proposes to use to research and identify potential property holders who have unclaimed property and who have never reported unclaimed property, or who have not adequately reported unclaimed property to the State of Arkansas ("Arkansas" or the "State").

- For general ledger examinations, Kelmar's research team will identify companies that have a significant business presence within Arkansas. Factors indicating significant business presence include, but are not limited to, number of employees working in Arkansas, amount of sales in Arkansas, and the number of customers in Arkansas. This data can be used in conjunction with the company's filing history for Kelmar's client states.
- As the primary general ledger examiner for multiple client states, Kelmar is uniquely positioned to represent the incorporation state in the vast majority of our examinations. The Company believes that efficiencies in the examination identification process will continue to be significantly enhanced as Kelmar expands its representation of client states. Such efficiencies are primarily driven by the holders' requirement to prove or verify that they have address information related to abandoned property in order for Kelmar to correctly apply the priority rules for taking custody of abandoned property as established by the United States Supreme Court.
- For securities examinations, Kelmar uses publicly available resources as well as subscription based services to research a company's stock issuance history. Specifically, Kelmar reviews the following: current and historic Securities and Exchange Commission ("SEC") filings including 10-Ks and Shelf Registration forms to determine the company's state of incorporation, the number of shareholders of record and types of restricted stock and employee stock purchase plan structures; Wolters Kluwer's Corporate Capital Histories ("CCH") to identify and determine mergers, acquisitions, reorganizations and the maturity and redemption of bond issuances; Interactive Data to determine a company's dividend payment history and

bond interest payments as well as acquired company's payment histories; and Bloomberg to determine a company's bond issuance history. The data compiled from the sources above is used in conjunction with the company's filing history for Kelmar's client states.

- For life insurance examinations, Kelmar assists its client states in identifying examinations of life insurance companies for unpaid death benefits by analyzing publically available information from various sources, as well as prior reporting histories of all insurance property type codes. Kelmar reviews statutory annual statements filed with state insurance departments and the National Association of Insurance Commissioners. Kelmar also reviews SEC and other regulatory filings available in the public domain. Additionally, Kelmar subscribes to services such as Hoovers, Dunn & Bradstreet and others.
- Experience has shown Kelmar that many holders who fail to report unclaimed property, including property due to Arkansas, are headquartered overseas. Many large foreign-based companies are likely holding significant amounts of unclaimed property owed to residents of Arkansas. At the State Auditor's request, Kelmar will research these companies and, if required, is willing to travel overseas and examine the books and records of such companies.

When proposing an examination and submitting a written request for authorization to conduct a review of a property holder to the State Auditor, Kelmar shall provide the name of the property holder including the property holder's contacts, and state of incorporation. Kelmar will also submit a letter to the State Auditor, for each audit proposed, specifically stating that Kelmar is free from any conflict of interest as defined by Section 11 of the Agreement, or if a business relationship with a holder exists that Kelmar believes should not violate Section 11, disclose the nature of that relationship. Kelmar understands and appreciates that the decision to select a property holder for examination lies solely within the discretion of the State. As Kelmar does *not* represent any holders with the filing of unclaimed property reports, unclaimed property audit defense, unclaimed property consulting, or any other professional services or activities related to unclaimed property that could be construed as being in conflict with the work for the State Auditor, Kelmar understands that its only authority to conduct unclaimed property examinations is derived from its client states. Absent specific written authorization from the State Auditor to conduct an examination, Kelmar shall not commence or initiate any unclaimed property audit on behalf of Arkansas.

1. *Authorization and Commencement of the Examination*

Once authorized to perform an examination on behalf of the State, Kelmar shall promptly contact the property holder to arrange an opening conference within ninety (90) days of the authorization either via conference call or on-site at the holder's headquarters. Should there be a delay in scheduling the opening conference for any reason, Kelmar will promptly notify the Auditor of State in writing explaining the circumstances surrounding the delay. Once contact has been established, but prior to the opening conference, Kelmar's legal team shall offer a

Confidentiality and Non-Disclosure Agreement ("CNDA") to the property holder. A sample form CNDA is available upon request.

2. *Conducting the Examination*

A. *The Opening Conference*

During the opening conference, Kelmar provides the property holder with an overview of the examination process including the scope of examination and the property types included in the review, a description of exam phases, and relevant provisions of the applicable state unclaimed property laws, rules and regulations including, without limitation, dormancy and due diligence requirements. Where the review involves a publicly traded company, applicable securities processes and procedures will be addressed. To aid the property holder's understanding of the examination process, Kelmar provides the property holder with a customized examination packet which includes copies of the authorization letters from the states participating in the examination;

- i. a summary of the exam process overview; and other relevant information pertaining to the exam inclusive of required handouts for the states participating in the review, due diligence materials, record retention expectations and applicable details relating to the applicable unclaimed property statutes and regulations.

For examinations involving life insurance companies, the opening conference will include a detailed discussion on policy administration and claims systems utilized by the insurance companies both currently and historically for all life insurance products. Kelmar will identify all current and legacy policy administration systems used by the insurance company, including those systems associated with any acquired companies or blocks of business, and document the following: Policy administration system name; Name of insurance company[s] using the system; Products serviced by the policy administration system; Periods of usage covering the prescribed audit period; Date(s) of any systems conversions or significant upgrades; and Physical location of hardware (i.e. servers, mainframe, etc.). Likewise, Kelmar will develop an understanding of what beneficiary information has been historically captured and maintained by the property holder. The auditors will document any changes as to the content and storage of such beneficiary information (e.g. name, address, social security number, relationship to policyholder or relationship to insured, etc.) including if beneficiary information is only stored on hard copy policy application, policy administration system and/or subsidiary database. Kelmar's auditors will also explain the triggering event for each state's applicable dormancy period for unclaimed death benefits. In regard to Arkansas, Kelmar will explain that the dormancy period is triggered by the death of the insured. Kelmar will inform the holder that any benefits due under the insured's policy that remain unclaimed for 3 years after the date of the insured's death are subject to report and remittance as unclaimed property to Arkansas. Kelmar will confirm the holder's use of the Social Security Death Master File ("DMF") and explain that the DMF will be utilized in the examination to determine the insured's date of death. In the event that a policy was terminated after the date of death, Kelmar will advise the holder that the policy must be adjusted to become payable to the beneficiaries.

B. Review, Analysis and Identification of Unclaimed Property

After conducting the opening conference, the audit teams will follow the work plan processes detailed below to review, analyze and identify overdue and unreported unclaimed property that should be delivered to the State Auditor pursuant to the Arkansas Unclaimed Property Act. As the examination processes and procedures are customized for the type of review (i.e. general ledger, securities, death benefits), Kelmar has separated the work plan by examination type. As all audits follow the same procedures for due diligence, remediation, collection and remittance of the unclaimed property, these policies and procedures are comprehensively presented in one section following the description of the exam specific processes. Likewise, Kelmar has included descriptions of operational policies and procedures (including quality controls) applied to all examinations at the end of the Work Plan.

Throughout the examination, Kelmar will routinely update Arkansas during each phase of an assigned examination by providing monthly cumulative work-in-progress reports ("WIP Report"). This report will cover all examinations authorized by the Auditor of State and will include the date of the opening conference, the date that initial document requests are made as well as the current examination status.

WORK PLAN: GENERAL LEDGER EXAMINATION

PHASE I. Review of Initial Records Produced at Opening Conference

- A. Identify entities subject to audit.
- B. Identify historical mergers, acquisitions, and divestitures.
- C. Identify operating companies, holding companies, and inactive companies.
- D. Delineate distinct legal entities within the holder corporate framework to perform compliance reviews.
- E. Identify key contact personnel at each legal entity.
- F. Create and maintain a detailed audit log.
- G. Outline an activity schedule with goals, objectives, and deadlines with responsible parties. As a quality control provision, a Director will approve the list of entities that have been identified by the GL team for additional review.

PHASE II. Preliminary Data Collection (within each identified legal entity)

- A. Determine locations of operations centers and where financial books and records are maintained.
- B. Determine contact names and categories of financial responsibility.
- C. Develop preliminary document request (for the legal entity). This preliminary round of analysis will reveal patterns and exposure areas which enable Kelmar to develop more targeted data requests, to make determinations as to the sufficiency of records on a historical basis, and to develop a better understanding of the historical compliance (or lack thereof) of the holder – Examples of documents to be included in this preliminary request are as follows:

1. Corporate Organizational Chart
2. Gross sales of the holder (historically)
3. Prior unclaimed property filings
4. Prior Voluntary Disclosure Agreements and/or audit findings
5. General Ledger Chart of Accounts; interview key personnel about accounts that appear to have the potential to generate unclaimed property exposure
6. Records retention policies and procedures of the holder
7. Nature and location of any Shared Services Centers (if applicable)
8. List of active, inactive, and closed Cash Disbursement Accounts, as well as a detailed description of the Account Function
9. Most recently reconciled bank statements for the holder's primary accounts payable activities including outstanding, stopped, cancelled, and voided checks
10. Copy of the Payroll Agent Contract that provides payroll services to the holder, or if handled in-house the most recently reconciled bank statements for the holder's primary payroll activities, including outstanding, stopped, cancelled, and voided checks
11. Current Accounts Receivable Report (reconciled to the General Ledger). In addition the holder should provide the most recent Aged Accounts Receivable Credit Balance Report
12. List of Third Party Benefit Administrators and the programs they administer, or if self-insured, a list of the cash disbursement accounts relating to the holder's benefit programs
13. If self-insured, the most recently reconciled bank statements for the holder's primary benefits activities, including outstanding, stopped, cancelled, and voided checks
14. Policies and procedures relating to the disposition of stale dated checks
15. Policies and procedures relating to the disposition of aged accounts receivable credit balances
16. Policies and procedures relating to Unclaimed Property Reporting and Compliance
17. Internal controls relating to unclaimed property and the disposition of same
18. List of all rebate and coupon programs (if applicable), past and present, offered by the holder and any of its subsidiaries, and associated balances reconciled to the General Ledger and;
19. Any legal opinions concerning the holder's reporting obligations under the unclaimed property laws of the states participating in the exam, or any US jurisdiction.

PHASE III. Preliminary Analysis

- A. Break down data collected as a result of the preliminary document request into individual property categories, including, but not limited to the following:
 1. Employee wages
 2. Utility deposit refunds
 3. Uncashed checks of any type

4. Mineral royalties
 5. Insurance proceeds
 6. Credit balances on customer accounts
 7. Loan collateral
 8. Uncashed rebate checks, and
 9. Unidentified remittances
 10. Deposit Accounts
 11. Escrow Funds
 12. Within each individual property category, isolate distinct forensic analysis projects for Kelmar audit staff, to be supervised by Audit Managers.
- B. Interview holder personnel that manage the various accounting departments within which the property categories fall.
 - C. Interview holder personnel that perform the various accounting functions and reconciling of accounts.
 - D. Quantify initial exposure at the property type level, and identify patterns of the holder's disposition of unclaimed property that are inconsistent with the unclaimed property laws of those states participating in the exam, including write-offs, reversals of expenses, offsets, etc.
 - E. Review the holder's internal controls, and policies and procedures in light of any patterns of and record any inconsistencies.
 - F. Discuss any inconsistencies between the holder's internal controls and its policies and procedures, and the patterns identified with the appropriate personnel from the holder.
 - G. Determine how far back records exist historically and the reasonableness of requesting historical records. This request will be approved by a Director after discussions with the holder and the respective state representatives to ascertain the reasonableness of the historical records request.
 - H. Based on the results of G above, the need may arise to work with the states participating in the exam to develop sampling methodologies within particular property categories. Kelmar will not proceed with estimation or sampling any period under audit without the State Auditor's prior written approval.
 - I. Develop secondary data requests based on the results of this preliminary analysis and distribute to holder.

PHASE IV. Secondary Data Requests

- A. Develop and distribute follow-up data request to the holder based on the property categories identified, and the results of the preliminary analysis above.
- B. All data requests in Phase IV include requests for name and address detail associated with any and all liabilities, across all property categories.
- C. In instances where historical records are not readily ascertainable, Kelmar shall incorporate approved sampling methodologies. All sampling methodologies shall be discussed, outlined, and agreed upon in advance by the states participating in the exam and Kelmar will not proceed with estimation or sampling any period under audit without the State Auditor's prior written approval.
- D. A Director will review all samples prepared by the examination team and Kelmar's statistician before submission to the holder.

PHASE V. Secondary Data Analysis

- A. Perform quantification analysis of the newly obtained, more complete universe of data.
- B. Based on a thorough analysis of all current and historical records obtained to date, develop the "*Gross Documented Liability*" for each individual property category identified.
- C. The "*Gross Documented Liability*" will include all actual liabilities within a property category, including but not limited to: outstanding items, written-off items, items previously reported as unclaimed property, items previously included in unclaimed property examinations, and all other exposure areas.
- D. Communicate the "*Gross Documented Liability*" for all property categories to the states participating in the exam for discussion and comment.
- E. Based on the results of D above, communicate the "*Gross Documented Liability*" for all property categories to the property holder.

WORK PLAN: SECURITIES SPECIFIC EXAMINATION

PHASE I. Preliminary Data Collection

Having been authorized by the State to conduct a review of the property holder and completed the initial stages of the audit outlined above, Kelmar's securities team shall establish contact with the holder's investor relations personnel and issue a preliminary document request which is tailored to the corporate history of each holder. The preliminary data request includes requests for historic escheatment reports, transfer agent and escheatment contracting agreements, and record keeping procedures as well as detailed shareholder registration data. The purpose of this request is to obtain the essential data elements required in order to conduct an examination of the books and records of the holder. Responses to this request are used to focus the examination on patterns and exposure areas identified in a preliminary analysis. From there, Kelmar develops more targeted data requests to make determinations as to the sufficiency of records on a historical basis and to develop a better understanding of the historical compliance of the holder. At the time the preliminary document request is issued, a Task Management Report is also sent to the holder. This report is utilized throughout the course of the securities examination in order to identify outstanding tasks and to establish deadlines for the completion of tasks. A detailed internal audit log is also created to track all securities exam correspondence.

PHASE II. Preliminary Records Analysis

A. Review of Holder Supplied Procedures, Agreements, and Prior Escheatment Reports

An examination of procedures including those relating to the issuance and administration of Restricted Stock and Employee Stock Purchase Plans, dividend reinvestment plans and the reconciliation of unidentified overages is conducted. Kelmar analyzes the shareholder

registration records for restricted stock in order to confirm whether there are accounts whose restrictions or vesting periods have expired and should be escheated. Procedures relating to escheatment holds that are applied to accounts are reviewed in conjunction with the shareholder data received in order to ensure that holds are being lifted in accordance with established protocols. Additionally, Kelmar reviews the procedures for coding the critical data elements necessary to conduct an accurate analysis of shareholder data. These elements include procedures for tracking and coding the undeliverable status of accounts and owner generated contact on accounts. Kelmar also reviews all third party transfer agent, exchange agent and owner location firm contracts. These are evaluated in order to gain a full understanding of the party responsible for escheatment of securities and the relationships between holders, their agents and third party escheatment vendors. Examination of prior unclaimed property filings assists in the identification of securities types that have historically not been reported or have been under reported.

B. Analysis of Shareholder Registration Data

The first step in performing an analysis of shareholder data is to validate that the records received from the holder are complete by comparing the total number of shareholder accounts and the number of shares received on the extracts to the most recent 10-K filed with the SEC. A complete reconciliation of totals is performed identifying discrepancies between totals received and independent research. The reconciliation also tracks totals attributed to each state participating in the examination and flags any special registration accounts that require further review or follow up with the holder. Any anomalies or deficiencies resulting from this review are discussed and resolved with the holder prior to the escheatment analysis examination of shareholder data for past due property.

Data elements in each shareholder account registered to states participating in the examination are reviewed in order to determine whether the account is past due in accordance Arkansas Code §18-28-201. These data elements include the date of last contact and undeliverable status of accounts and the cash payment history in each account. Any inconsistencies that are identified between the holder's internal controls and its policies and procedures, and the patterns identified in the shareholder records are questioned with the holder. Shareholder account populations are tested in order to confirm the validity of the critical data elements supplied. Follow up questions are drafted and a test population of accounts are drafted and distributed to the holder. The test data populations are compiled by an Associate and a Senior Manager performs a Quality Assurance check on the selection.

C. Merger and Acquisition Testing

In order to confirm that a complete population of unexchanged shareholders has been received from the holder, Kelmar requests a reconciliation of the Record Stockholder List established at the effective time of the acquisition. For each registered shareholder identified on the list, all shareholder accounts are quantified including documentation validating whether the shareholder came forward to redeem their shares, was previously escheated, or remains unexchanged. Dates of last contact and other critical data elements are tested in order to ensure the integrity of the holder or transfer agent records received.

Next, Kelmar validates that all balance positions identified on the books and records of the holder tie back to owner registration detail provided for all acquisitions. Where owner registration detail is missing or not provided, a follow up is sent to the holder requesting that the full owner registration detail associated with the balance position be provided or written confirmation that shareowner registrations are not available. For all acquired entities with a history of dividend payment, Kelmar validates that all unrepresented premerger dividend check data is remitted for review and included in the escheatment analysis of the acquisition. All dates and rates of acquisition and entitlement liabilities are independently calculated and confirmed.

PHASE III. Secondary Records Analysis

When test data is received it is analyzed in order to confirm the integrity of the critical data elements supplied. Kelmar requires imaged documentation or system generated reports in order to validate test data. Documentation that is requested and reviewed includes imaged proof of shareholder written correspondence, proof of authenticated log in to shareholder accounts via IVR or web access, executed proxies and tax forms as well as documentation validating the purchase or transfer of shares within the shareholder account. Review of test data responses is initially performed at the Associate and Senior Associate level. A Quality Assurance check is then performed in order to assure that documentation has been reviewed correctly. When the analysis is complete, Kelmar performs an analysis of tested accounts in conjunction with untested accounts in order to determine the final population of accounts to be included in the preliminary assessment of findings sent to the holder. A final review of all accounts to be included in the preliminary assessment is conducted by Senior Associate, Manager, and Senior Manager, with input at the Director level where applicable.

WORK PLAN: INSURANCE SPECIFIC EXAMINATION PHASE

Kelmar's unclaimed property audits of life insurance companies involve two distinct reviews. The first review focuses on unpaid death benefits owed to beneficiaries of life insurance policies and annuity contracts, as well as deceased or inactive retained asset account owners (hereinafter referred to as the "Death Benefit Audit"). The second review of a life insurance company focuses on all other general ledger and securities property types including other IN property type codes.

PHASE I. Unpaid Death Benefits and Retained Asset Accounts

The first phase (Phase I) of the examination focuses on unpaid death benefits owed to beneficiaries of life insurance policies and annuity contracts, as well as deceased or inactive retained asset account owners. The property types audited in Phase I include, but are not limited to: Individual Policy Benefits (IN01); Group Policy Benefits (IN02); Proceeds Due Beneficiaries (IN03); and Matured Annuities and Policy Proceeds (IN04). The stages of Kelmar's audit plan for life insurance companies are outlined below.

A. Preliminary Data Collection and Analysis

After receiving authorization from the State Auditor to conduct a review of the property holder, and completing the initial stages of the audit, Kelmar's insurance team will work collaboratively with Kelmar's research professionals to obtain publically available data from various sources in order to develop a general understanding of the insurance company in terms of corporate structure, lines of business and locations of customers, as well as other information that may help the audit team in its initial discussions and meetings with the insurance company property holder. As available, Kelmar reviews Statutory Annual Statements (i.e. "blue books") in order to identify the insurance companies that collect premiums and pay claims on life insurance policies and annuity products. The blue books are also read in order to identify the various types of insurance offered (e.g. industrial, whole life, universal life, term, etc.) and whether the insurance company has offered retained asset accounts as a settlement option (or default option) when death claims are paid. Utilizing this information, Kelmar will craft an initial document request identifying those legal entities on the organizational chart that have life insurance policies and annuity contracts (hereinafter referred to as "Life Products"). Kelmar's insurance team will present the initial document request to the holder and address all questions relating to the same.

Upon receipt of the information requested in the initial document request, the audit team will develop an understanding of a property holder's locations of operations centers and where financial books and records are maintained. Kelmar will also document the holder's internal controls, as well as its policies and procedures (both current and historical) relative to the treatment of unpaid death benefits including the holder's historical use of the Social Security Administration's Death Master File (DMF) on its Life Products and retained asset accounts (if applicable). Thereafter, Kelmar will review unclaimed property reports previously filed to the states and summarize the amounts of life insurance policy proceeds, annuities and retained asset accounts reported by State, Report Year and Property Type Code. As part of this review, Kelmar will determine whether the insurance company has ever reported unclaimed death benefits and under what circumstances. Kelmar will also request copies of any market conduct examination reports of any state insurance department relative to claims settlement practices and unpaid death benefits with particular attention on claims settlement deficiencies that may result in potential unclaimed property.

Next, Kelmar will obtain and review sample copies (i.e. blank or redacted copies) of policies issued covering the audit period. The sample years are always selected by Kelmar. Particular attention is paid to policy provisions relative to maturity ages or dates, as well as claims settlement practices as to when the death benefits may be due per the contracts. Kelmar will also obtain and review sample copies of policy applications, policies, beneficiary election forms, death claim forms and retained asset account forms for all lines of business ("LOBs"). Kelmar will note any significant changes over time with respect to the type of information being captured on the applications and forms (e.g. applications only required beneficiary name and percentage share of the death benefit up to 1995 but applications used after 1995 also require the social security number, address and relationship to the insured).

With this knowledge, Kelmar will review the insurance company's current and historical policies and procedures while identifying any significant changes in policies, procedures or processes and document the dates, purpose and impact of such changes, for all LOBs related to the following:

1. The processing and settling of death claims made by beneficiaries and contingent beneficiaries (also provide flowcharts on the claims process when available);
2. The administration and use of retained asset accounts (if applicable);
3. Instances when the Holder has knowledge of a death but a death claim has not been filed by any beneficiary;
4. Instances when the Holder has been presented a death certificate by a beneficiary but all beneficiaries have not submitted death claims (e.g. a life insurance policy has two beneficiaries but only one beneficiary submits a valid death claim);
5. All pending or suspended claims (e.g. litigation suspense, contestable claims, rejected claims, etc.);
6. Instances when a beneficiary initiates a claim but does not submit all the necessary documentation to perfect the claim;
7. The system coding and monitoring of Non-Forfeiture Options (NFO) including Automatic Premium Loan (APL) provisions;
8. The treatment of annuities when the annuitant is considered lost as of the maturity date or any point during the payout stage (i.e. the whereabouts of the annuitant are unknown);
9. The monitoring of matured, superannuated or limiting age policies and contracts;
10. The holder's use of the Social Security Administration's Death Master File (DMF) and any other database (e.g. LexisNexis' Accurint, Rootsweb.com, Railroad Retirement Board, Credit Bureaus, etc.), in order to identify and/or verify a death;
11. The tracking and reporting of any unpaid death benefits as unclaimed property; and
12. The tracking and reporting of any retained asset accounts as unclaimed property.

Next, Kelmar will determine if the insurance company has implemented any new policies, procedures or process changes as a result of certain states adopting the National Council of Insurance Legislators (NCOIL) model law relative to the periodic use of the DMF to identify deceased owners and ultimately look for beneficiaries.

Following this review, Kelmar will determine whether any unclaimed property division, insurance department or any other regulatory agency has mandated information relative to the insurance company's use of the DMF (e.g. the New York State "308 letter"). If so, Kelmar will obtain copies of the regulators' requests and any responses and documentation provided to such regulators in response to the request. In instances when the insurance company has used the DMF in the past, Kelmar will determine how previously "matched" policies are coded on the

policy administration systems and review associated digital and hard copy policy files for instances when:

- * There is knowledge of a death but no death claim has been filed by any beneficiary;
- * There is knowledge and/or proof of death but all beneficiaries have not submitted death claims (e.g. a life insurance policy has two beneficiaries but only one beneficiary submits a death claim);
- * Incomplete documentation is submitted (i.e. beneficiary initiates a claim but does not submit all the necessary documentation to perfect the claim);
- * Policies reach the limiting age or contracts superannuate or mature;
- * Claims are suspended; and
- * Non-forfeiture provisions including Automatic premium loans (APL) provisions are triggered.

Kelmar will then identify whether the insurance company has ever performed any comprehensive DMF matching exercise (or any other decedent database) on its individual and group life insurance policies for any reason including an internal audit, external audit or market conduct examination. Kelmar will document the following: the date(s) of the DMF verification exercise; whether there were any excluded books of business or blocks of life insurance policies; the version (i.e. release date) of the DMF; the frequency of DMF verification, the matching logic applied (define both exact and fuzzy logic used); whether there was any third party vendor responsible executing the matching exercise; any customer built in-house technology used to perform the match; interview personnel, and review related records, to determine how matches to the DMF were determined and validated; whether any validated DMF matches resulted in confirmed date of death; how the insurance company used the death verification information; and whether any investigations launched to locate beneficiaries and what was done if beneficiaries could not be located. Kelmar will note any indication that the Holder or its advocates have engaged in any pre-escheat activities, or other beneficiary locator services for which beneficiaries are being charged.

Kelmar will also document any mechanism in place to systematically (or manually) cross-reference the insurance company's books of business when it learns of a death from any source, but in particular, when it learns of a death as a result of DMF inquiry. All relevant cross-referencing efforts made (including any apparent shortcomings) both currently and historically are documented.

Throughout the life insurance examination process, Kelmar will document any systems or database challenges or shortcomings. In cases where insurance companies indicate that the record layouts for policy administration systems include many fields not used by the company, then Kelmar will provide the property holder with its preferred record layout and ask the property holder to map Kelmar's preferred field names to specific fields on its policy administration systems. Data dictionaries that define, or describe in detail, the data elements contained in the record layout will be reviewed.

B. Secondary Data Collection and Analysis

Based on the information derived from the first stage of the review, Kelmar will prepare a second document request covering selected legal entities that issue life insurance policies and annuity contracts. Kelmar will review Statutory Annual Statements for the selected legal entities for the audit period. The Statutory Annual Statements will be used for various reference purposes and reconciliation purposes throughout the examination. Kelmar will focus on certain statements, schedules and exhibits, including but not limited to, the following: Jurat Page; Statement of Assets; Statement of Liabilities; Summary of Operations; Analysis of Operations; Exhibit 1 – Part 1; Exhibit 7 - Deposit Type Contracts; Exhibit 8 - Claims for Life and Accident & Health; Exhibit of Life Insurance; Exhibit of Number of Policies, contracts, certificates income payable; Schedule T; and Schedule Y.

Next, Kelmar's auditors and data specialists will work with the holder's IT personnel to obtain a complete data extract of all individual and group life insurance policies and annuity contracts that were in-force at any time during the audit period. The data extract will include all data elements available per a record layout as established by the Kelmar audit team. If the existence of any hard copy records or other "off-line" data is discovered, Kelmar will then incorporate procedures to obtain, review, and keypunch any relevant data accordingly.

If the insurance company offers retained asset accounts as a settlement option, Kelmar will obtain comprehensive reports of retained asset accounts that include data elements similar to the ones as follows: account number; account holder's name; account holder's address; account open date; original amount; date of last owner generated activity; activity type; and current account balance. Kelmar will reconcile the report total to the retained asset account aging schedule on the insurance company's statutory Annual Statement.

Next, Kelmar will determine all third party administrators used in connection with retained asset accounts and obtain comprehensive reports of retained asset accounts that reconcile to the retained asset account aging schedule per the holder's statutory annual statements and other books and records of the insurance company.

Kelmar's auditors and data specialists will then perform all necessary parsing and scrubbing of data in preparation to match the data to the DMF. Kelmar data specialists will format policy data in a standard prescribed format before matching the policy data to the DMF and potentially other databases of decedents that provide a date of death, including but not limited to other federal agencies databases, state vital records databases and other non-governmental databases. Kelmar will utilize state of the art software that focuses exclusively on mortality verification in order to identify a date of death in instances when the insured individual is deceased. The death verification software incorporates both exact and non-exact (also referred to as "fuzzy logic matches") matching algorithms designed to positively identify deceased unique biological individuals when the data elements needed for matching are incomplete or missing. Other available tools and techniques to positively identify descendants and verify dates of death may also be used. Kelmar will prepare and maintain a file that includes all positive death matches which identifies the specific data points matched either exactly or via the use of non-exact

algorithms. A separate population of life insurance policies having reached a limiting-age will be prepared and maintained.

In summary, Kelmar will attempt to match all life insurance policies, annuity contracts and retained asset accounts to the DMF (and other decedent databases) for purpose of identifying deceased owners. The death matching software incorporates both exact and "fuzzy" matching algorithms using first name, last name, date of birth and social security number.

Prior to performing any comprehensive DMF audit searches, Kelmar may select a judgmental sample of policies in order to conduct a walk-thru (on-site) and review the selected policy files (digital and hard copy policy files). All information associated with the judgmental sample of policies will be reviewed. Once this process is completed, Kelmar's audit professionals will proceed with the due diligence, remediation and remittance processes described below.

WORK PLAN: DUE DILIGENCE, REMEDIATION, AND REMITTANCE **APPLICABLE TO ALL EXAMINATIONS**

Once the final population of dormant accounts is identified in an exam, a letter of preliminary audit findings is sent to the property holder detailing the preliminary unclaimed property liability amount in cash. Where shares have been determined to be dormant, the preliminary audit findings will list the share liability per securities cusip. Any accounts for which test data was considered invalid and is included in the findings are identified to the property holder, who is given the opportunity to review, reconcile, remediate and perform a due diligence mailing.

The letter of notice for the preliminary audit findings serves as a dated written notice indicating that the property holder has a sixty (60) day review period in which to further evaluate, remediate and conduct due diligence on the accounts included in the audit findings. Kelmar shall supervise and verify that the property holder has mailed due diligence via first class mail to the property owner's last known address in accordance with applicable state law. In the case of insurance property, due diligence will be mailed to the last known address of the property owner's designated beneficiary where applicable. The property holder provides confirmation of the date of due diligence mailing as well as the accounts mailed. Kelmar will conduct one or more meetings with the property holder as needed in order to provide guidance regarding the due diligence process and to ensure the property holder is performing the outreach within the timelines established by the State.

A. Due Diligence Analysis

During the due diligence and remediation process Kelmar remains in close communication with the holder in order to receive and review documentation that remediates preliminary assessment liabilities. Kelmar validates that accounts have been appropriately removed from findings as a result of property holders re-establishing contact with their assets. This is verified through analysis of the following documents:

1. Executed copies of due diligence letters
2. Documentation validating the recent presentment of a check
3. Documentation validating the recent authenticated log in to IVR or web
4. Executed copies of tax forms and proxy solicitations
5. Documentation validating the escheatment of accounts
6. Documentation validating check was reissued for same liability
7. Documentation validating credit balance was refunded to customer via check disbursement

For insurance property holders, Kelmar will provide the property holder with the Death Master File ("DMF") matching results in the form of a Life Insurance - Interim Status Report Utilizing the Interim Status Report, the insurance property holder shall validate whether a death benefit is due and owing (initially) and then attempt to identify and locate the beneficiaries. Kelmar will provide the insurance property holder with remediation and due diligence guidelines when the initial ISR is provided. This will provide the property holder with the opportunity to validate all potential matches and explain whether it believes any death benefits are owed to the beneficiary. If the insurance property holder does not believe that a death benefit is owed it must identify such policies and provide reasons and explanations disputing this finding.

B. Report of Examination, Notice and Remittance Process

Upon the expiration of the sixty (60) day review period, Kelmar shall prepare and present a Final Report of Examination (ROE) to the State Auditor prior to presentation to the property holder. Kelmar shall make itself available to the State Auditor to discuss the examination findings either in person or via conference call. It is understood that the State Auditor has the discretion to amend, modify, or revise the audit findings.

The ROE acts as a summary of final audit findings and also details the property types and entitlements reviewed including merger and acquisition entitlement rates and dates where applicable. The ROE incorporates the results of the remediation analysis as well as the results of any approved sampling methodologies for applicable property categories. Where no names and address information has been supplied, Kelmar will discuss the need for projection/estimation with the State Auditor if applicable. Kelmar shall not estimate or sample any period under audit without the State Auditor's prior written approval. If approved, these projections will be incorporated into the ROE where appropriate. Once the State has reviewed the ROE and issued demand for the property, final audit finding detail reports are sent to the attention of the holder. The property holder is also advised that it is their continuing obligation to report and remit property to the State.

Kelmar shall endeavor to submit the final ROE within twelve (12) months from the date of the initial document request. Any extension requests will be delivered to the State Auditor in writing along with good reason at least ten (10) business days prior to the deadline.

Kelmar employs a Remediation and Delivery Manager who works closely with holders to ensure that all cash and shares will be remitted to the State as required. Once in Kelmar's possession, all shares, unclaimed funds are transferred to the State Auditor within thirty (30) days. As it relates

to the delivery of securities and securities related property, securities shall be transferred using DTC as long as the security is DTC eligible. Physical certificates shall not be delivered without prior written approval and will be submitted with permission of the State Auditor.

At the conclusion of an examination, all share and cash liabilities will be transferred to the State Auditor in conjunction with an electronic copy of an audited unclaimed property report in NAUPA 2 format. As the current NAUPA 2 format may not include space for special policy data that the State may need in order to validate and pay claims for death benefits in an efficient manner, Kelmar shall equip the State Auditor with additional customized reports to demonstrate beneficiary information derived from any life insurance policies, annuity contracts or retained asset accounts to validate and pay claims in an efficient.

C. Invoicing

Upon delivery of property included in the examination, Kelmar shall remit proceeds net of its fees. There will be no invoices issued by Kelmar to the State Auditor. In the event of a securities review where the property is not in a liquidated form, Kelmar will calculate its fee based on the value of the closing price of any security trading on an exchange, on the date the security is received by the State. If the security is traded in the over-the-counter market, then at the bid price as set forth in the pink sheets or any other validated pricing market on the date the security is registered to the State. Kelmar will then deduct its fee from the proceeds of the next delivery of property to the State.

SUPPLEMENTAL EXAMINATION PROCEDURES AND PRACTICES

Below are details concerning Kelmar's procedures and practices implemented in all general ledger (inclusive of death benefits) and securities examinations relating to: (A) records verification; (B) quality control initiatives; (C) the nonexistence of owners' addresses and the use of estimation techniques; (D) methodology of estimation techniques and other compliance techniques; (E) holder bankruptcies; (F) dormancy and reporting periods; (G) treatment of confidential information.

(A) Records Verification

Throughout each of the audit phases identified in the preceding Work Plan, Kelmar utilizes customized procedures to verify the accuracy and completeness of a property holder's records largely through the use of existing and readily accessible records. To help facilitate this process, Kelmar employs a fully-dedicated Information Technology Programming Manager / Data Architect who has developed a number of programs to address the varying data processing needs across audits. These programs enable Kelmar's audit teams to expedite audit analysis processes through increased automation, improved data transparency, and overall efficiency. Examples of customized programs include the following:

- Developed Java adapters to extract data from files of various types, i.e. Excel, PDF, CSV, Tab-delimited files.
- Developed Java library for data manipulation functions such as multi-field sort, filtering, de-duplication, data conversion, etc.
- Programmatically converted and split voluminous sets of data feed (95+ million records) into files of manageable size for general ledger audit.
- Reformatted, grouped, summarized, and merged multiple data feeds to reduce data production time for holders.
- Automated address parsing process to assist the securities team with identifying demandable population for final examination report.
- Parsed holders' NAUPA files on behalf of states to generate a summarized Cash & Shares report used for reconciliation with the UPS2000 system to produce outreach mailings.
- Developed a program to automate Check Matching process that involved data conversion, parsing, and cross-reference match to identify cashed checks.
- Created a range of extracts and analytic reports off holder's data to reduce audit teams' efforts spent on audit process.

The use of the above programs allows property holders to produce electronic records in the format in which they are customarily maintained. This eliminates disruption to a property holder's regular business activities and makes the audit process more efficient. For example, working with electronic cash disbursements files has the following advantages:

- Avoids the manual keying of outstanding checks (Kelmar double keys o/s checks so as to identify any key stroke errors)
- Expedites timeline for selecting transactions for holder remediation
- Reduces (rather significantly) the selection of "false positives" (i.e., checks that are not unclaimed property because they were reissued or were voided for cause)
- Allows for a more rapid analysis of holder's policies surrounding voids and potential write-offs of o/s checks

Obtaining electronic files also enables Kelmar to employ licensed data mining software. This software has saved hundreds of hours in processing time on some Kelmar audits. For example: by using advanced data mining software Kelmar was able to effectively analyze a series of very complex data sets related to gift cards, suspense accounts, and unapplied cash, in which an

excess of 100 million lines were analyzed. This analysis was completed by Kelmar in less than two days.¹

(B) Quality Control Initiatives

Kelmar follows a number of quality control procedures throughout the examination process to ensure that all audits are consistently performed in a high quality, professional and competent manner. Examples of Kelmar's quality control procedures include, but are not limited to, the following:

- **Exam Progression Approval and Available Personnel:** Kelmar's Principal Members meet with audit teams at least once per month to discuss progress on each examination and the availability of personnel to perform work required for its client states. These discussions focus on required memorandums which must be approved by a Principal Member at specified junctures throughout the examination. This includes, but is not limited to, scoping entities, scoping property types, reviewing final populations for research and remediation, and final Reports of Examination.
- **Review Process:** Each analysis and document request is reviewed and approved by the Manager, Senior Manager, or Director overseeing the examination. Likewise, at preplanned checkpoints in the examination, such as identifying in-scope entities, finalizing property types for review and preparing the Reports of Examination, the recommendation of the Manager, Senior Manager or Director is reviewed and approved by a Managing Director or Principal Member.
- **Data Validation:** Kelmar generally receives records from holders in electronic form; however, in some instances holders prefer physical records. If records are received electronically, Kelmar reviews and reconciles the information for accuracy and completeness. For example, Kelmar will reconcile information back to a general ledger or tax return balance. If physical records are received from the holder, two audit staff members will independently data enter the information. A comparison is then generated and any inconsistencies are remedied. A supervisor then performs a final quality check and reviews the information to validate that it was entered accurately by cross referencing original source documentation.
- **Legal Expertise:** Kelmar ensures that all audit processes and procedures implemented by the Company are in compliance with all applicable state and federal unclaimed property statutes, regulations, administrative codes, case law,

¹ While Kelmar is committed to maximizing the use of technology to assist its audit professionals in the identification of unclaimed property liabilities, holder records are never processed through a mechanized routine. All of Kelmar's state-mandated examinations are performed by highly trained professionals with degrees in accounting, finance, and business who analyze the records received from holders, and use critical thinking skills to ask the probing questions that uncover the liabilities and inconsistencies in data that are unique to each examination.

and examination protocols. Working closely with the Managing Directors and Senior Management Group at Kelmar, Kelmar's Audit Legal Support Team ensures all statutory, legislative and state policy and procedural developments are readily integrated into established examination procedures and that all Kelmar audit professionals are well versed in applicable unclaimed property laws.

- **IT Security:** Kelmar ensures the security and confidentiality of all information and/or records stored, created, collected, maintained and/or transmitted by Kelmar records, and personal information. Kelmar has adopted security measures and/or controls to combat any and all internal or external risks to the security, confidentiality, and/or integrity of any electronic, paper or other records containing confidential information.
- **Executive Management Group/Quality Control:** The Executive Management Group meets regularly to review all active examinations to ensure consistency across audit teams in implementing Kelmar's audit processes and procedures.

(C) *Kelmar's Practice Relating to Nonexistence of Owners' Addresses and the Use of Estimation Techniques*

Kelmar will follow all relevant state and federal court rulings including specifically, the holdings of the U.S. Supreme Court in *Texas v. New Jersey*, 85 S. Ct. 1136 (1965), *Pennsylvania v. New York*, 92 S. Ct. 2820, (1972), and *Delaware v. New York*, 113 S. Ct. 1550, (1993), and any applicable federal legislation when determining which state has the right to escheat property. Specifically, Kelmar shall apply the following:

- (1) Where the name and last known address of the apparent owner according to the books and records of the holder is in the State of Arkansas it shall be deemed to be reportable to Arkansas.
- (2) Where the records of the holder do not disclose the identity of the person entitled to the property, and it is established that the last known address of the person entitled to the property is in Arkansas.
- (3) Where the records of the holder do not disclose the last known address of the apparent owner, and it is established that: (a) the last known address of the person entitled to the property is in Arkansas; or (b) the holder is a domiciliary or a government subdivision or agency of Arkansas and has not previously paid or delivered the property to the last known address of the apparent owner or other person entitled to the property.
- (4) Where the last known address of the apparent owner, as shown on the books and records of the holder, is in a state that does not provide by law for the escheat or custodial taking of the property or is in a state in which the state's escheat or unclaimed property law is not applicable to the property, and the holder is a domiciliary or a government or government subdivision or agency of Arkansas.

- (5) Where the last known address of the apparent owner, as shown on the books and records of the holder, is in a foreign nation and the holder is a domiciliary or a government or governmental subdivision or agency of Arkansas.
- (6) Where the transaction out of which the property arose occurred in Arkansas and:
(a) the last known address of the apparent owner or other person entitled to the property is (i) unknown; or (ii) in a state that does not provide by law for the escheat or custodial taking of the property, or in a state in which the state's escheat or unclaimed property law is not applicable to the property; *and* (b) the holder is a domiciliary of a state that does not provide by law for the escheat or custodial taking of the property or a state in which the state's escheat or unclaimed property law is not applicable to the property.
- (7) All sampling and projection and estimation techniques used by Kelmar to determine unclaimed property due to the State of Arkansas shall be a method approved by the Auditor prior to their use.

(D) Kelmar's Methodology of Estimation Techniques

In the event that records do not exist or owner names and addresses are non-existent, Kelmar shall obtain the Auditor's written approval prior to utilizing any sampling, projection and/or estimation technique to determine unclaimed property due to the State. All sampling and statistical estimation techniques used by Kelmar shall be in accordance with AICPA and GOA Professional Standards or an agreed upon methodology approved in writing by the Auditor. Upon request, Kelmar shall provide Arkansas with any and all guidance necessary to assist the State in making an informed decision regarding the most appropriate estimation technique given the facts and circumstances at hand. To assist in this process, Kelmar employs a dedicated statistical sampling expert who utilizes SAS Enterprise Guide 4.2, a widely recognized statistical software designed to efficiently analyze large datasets and ensure random, replicable and verifiable samples. Kelmar's sampling process for estimating a property holder's unclaimed property liability includes the following steps:

- (1) Define the population:
 - a. Base period – Period of time where complete records are available
 - b. Sampling unit – Examples include aged checks or credit balances
 - c. Remove potential anomalies – Outliers, duplicate records, errors
- (2) Determine appropriate stratification (if necessary)
 - a. Number of strata
 - b. Stratum boundaries
- (3) Calculate sample size
 - a. Desired confidence
 - b. Desired precision

- (4) Perform random computerized sample selection
- (5) Verify achieved precision goals
- (6) Evaluate results
 - a. Appropriateness of projecting deviations
 - b. Application of ratio estimator

Notably, the sole purpose of determining an estimated liability in a time period where complete records exist is for calculating an unclaimed property liability in years where adequate records do not exist. The use of statistical sampling for estimation shall only be used, therefore, where (a) prior approval is received from the State Auditor; and (b) complete records are not available and the names and addresses of the rightful owners cannot be identified.

(E) Kelmar's Procedures for Bankruptcies

If, at any time before or during the course of an examination, Kelmar learns that a holder has filed for bankruptcy, Kelmar shall, within seven (7) days of discovery of the event, notify the State of the bankruptcy filing. In such a case, Kelmar will work with the Auditor to ensure that a proper proof of claim is filed in the bankruptcy action.

(F) Dormancy and Reporting Periods

Kelmar's legal team, through various legal research resources, monitors states' unclaimed property statutes for modifications to dormancy periods and reporting periods. All changes are communicated to Kelmar's audit staff and are implemented during the performance of an audit as appropriate. Additionally, Kelmar utilizes a legislative tracking service that monitors and tracks any proposed legislative and regulatory changes to the unclaimed property laws across all fifty states. As a further step, Kelmar regularly monitors client states' unclaimed property websites for any important changes to state law or policy regarding unclaimed property. Kelmar provides all of this information to holders when presenting the holder binder at the opening conference.

(G) Kelmar's Treatment of Confidential Information

Kelmar acknowledges that all documents and working papers obtained or compiled in the course of conducting an audit by the State and/or Kelmar on behalf of the State, are confidential. Kelmar recognizes however that such information may be used by the State in the course of an action to collect unclaimed property or otherwise enforce the Statute or during joint examinations conducted with or pursuant to an agreement with another state, the federal government, or any other governmental subdivision, agency, or instrumentality.

As part of its customary examination process, Kelmar negotiates in good faith with each holder examined to execute a mutually agreed upon Confidentiality & Non-Disclosure Agreement to protect information received during the exam and provide the holder with a greater sense of security. Kelmar also requires that each of its employees execute a form non-disclosure

agreement that contains language requiring said employee to: (a) honor the terms of any confidentiality agreement entered into by Kelmar with a holder and/or client state; (b) maintain strict confidentiality of all Kelmar records including examination records; and (c) prevent the use of insider information. Kelmar also has adopted and implemented employee policies governing the use of confidential information, independence, conflicts of interest, and insider trading.

Along with these measures, Kelmar expends significant resources to maintain the security and confidentiality of all records and findings created, obtained, and/or stored in connection with any and all examination services rendered. The Company has implemented a comprehensive written information security program ("WISP") which includes stringent administrative, procedural, technical and physical safeguards for the protection of confidential information (including any protected personal information). These safeguards include policies and procedures governing the collection, transmittal, storage, and/or destruction of confidential records; as well as state of the art electronic security measures including, without limitation, intrusion prevention and detection software such as firewalls and malware, and encryption devices.

Moreover, to facilitate the secure transfer of confidential electronic records over a variety of Internet standard protocols such as FTP/S, SFTP, and HTTP/S, Kelmar utilizes an internally managed EPortal Server ("EPortal"). EPortal is an in-house File Transfer Server solution that ensures the highest levels of compliance with state and federal data security and privacy regulations including, but not limited to, FIPS 140-2 (i.e. the Federal Information Processing Standard employed by the United States Department of Defense), PCI DSS 1.2 (Payment Card Industry Data Security Standards), HIPAA, HITECH and Sarbanes-Oxley, as well as applicable corporate security policies and mandates. Entry to Kelmar's EPortal is first established through the DMZ Gateway, a security module that acts as a "force field" between Kelmar's network and the internet. This information security tool resides in the demilitarized zone and provides secure communication with the EPortal behind intranet firewalls without requiring any inbound firewall holes between the internal network and the DMZ. The connection between the internal network and the DMZ is opened only in an incoming direction and is guaranteed through the use of encryption and authentication protocols. Because the connection is streamed through the DMZ Gateway to the EPortal, user authentication is handled by the EPortal as if the user was logging in directly to the server from the internal network.

Access to Kelmar's EPortal can be amended and/or disabled at any time and is securely limited through a unique password-based, two-factor authentication system. All user authentication passwords are stored as a one-way, non-reversible, salted hash. Complex passwords are required using multiple criteria including, but not limited to, minimum length restrictions, defined alphanumeric sub-options, disallowing words contained in a dictionary file, disallowing the username as the password, and disallowing cyclical passwords. Digital certificates are also closely monitored and evaluated to authenticate identity. Likewise, all website addresses are tracked and white-listed for an added layer of protection. This sophisticated login method not only helps prevent unauthorized entry, it also allows Kelmar to capture intelligence and keep a detailed tamper-proof audit trail of those who visited the data-room, the types of information reviewed, and when they reviewed it; thus providing a completely transparent and fully documented GUI-based information flow.

Kelmar's EPortal is hosted on dedicated servers controlled and maintained by Kelmar. These servers are protected by Cisco Adaptive Security Appliance Firewalls and Intrusion Prevention/Detection software. Kelmar also utilizes McAfee Total Endpoint Protection as an additional layer for Antivirus, Antispyware and Data Loss Prevention. The Anti-Virus software is configured for real-time virus scanning of all files entering or leaving the organization. Full System Scans are performed regularly.

The EPortal File Transfer Server employs an auto-ban system intended to prevent possible DoS attack attempts by monitoring all connection patterns, tracking each computer's activity density, and banning any IP addresses with unnaturally dense activity. All EPortal user sessions are fully encrypted using Secure Sockets Layer and Transport Layer Security (SSL-TLS) which is the same technology used by banks in order to transfer credit card data. SSL-TLS technology offers end-to-end protection by encrypting information (user files, swap files, system files, hidden files, etc.) at 2048 bit and using symmetric key cipher(s) user authentication protocols. Secure data transmission is further enforced by automatically redirecting incoming HTTP traffic to HTTPS. Kelmar also offers the use of PGP encryption when transmitting data provided the holder's information system supports this protocol.

All documents uploaded to the EPortal are digitally signed using a keyed-Hash Message Authentication Code and a Secure Hash Algorithm (a cryptographic hash algorithm published by the United States Government which produces a 160-bit hash value from an arbitrary length string) in order to verify data integrity and message authenticity, and prevent unauthorized changes or alteration. By utilizing these cryptographic modules, Kelmar ensures that all file transfers are protected by best-in-class security. Along with these information technology security protocols, Kelmar has a comprehensive Records Retention Program which includes secured encrypted back-up and storage in compliance with all applicable state and federal laws.

(H) Kelmar's Record Retention Program

As noted above, Kelmar has a comprehensive Records Retention Program designed to ensure legal compliance with all state and federal laws as well as the Company's state contracts. As part of its Record Retention Program Kelmar has established retention and destruction policies and schedules for specific categories of records. Temporary records (defined as records of temporary usefulness that are needed only for a limited period of time in order to complete a routine action or to prepare an ongoing record) are destroyed, or permanently deleted if in electronic form, as soon as they are no longer useful. Client records (defined as records prepared in connection with any examination performed for a client state) are maintained for the time period prescribed in Kelmar's state contracts and/or as dictated by applicable law. All records are maintained and stored in accordance with the security protocols described in Kelmar's WISP which incorporates safeguards consistent with ISO 27002 standards and those promulgated by the United States Department of Defense. Client records are processed and retained at the conclusion of the examination in accordance with Kelmar's Records Archive Policy until such time as the retention period expires. Thereafter, Kelmar destroys such records utilizing sanitization techniques promulgated by the National Institute of Standards and Technology and the Federal Information Security Management Act (FISMA) of 2002. Kelmar's Chief Information Officer oversees this process and is responsible for certifying compliance with all

policies and legal authority. Certificates of destruction are subsequently maintained on file by Kelmar's Legal Department.

In sum, each of the above referenced policies and procedures shall be followed when conducting all unclaimed property examinations on behalf of the State Auditor.

Andrea Lea
Auditor of State



230 State Capitol
Little Rock, AR 72201

State of Arkansas

Arkansas State Claims Commission
101 E. Capitol Avenue #410
Little Rock, AR 72201

To Whom It May Concern:

I write to convey our support of Kelmar Associates, LLC claim against this office in the amount of \$130,940.22. This figure represents an amount owed that was not able to be netted from proceeds of audits conducted on this office's behalf by Kelmar Associates.

For context, most audits result in both cash and securities, and the 10.5% contingency fee is deducted from the cash proceeds. However, as it relates to this claim, a previous administration engaged Kelmar to perform several securities-only audits. Given the non-liquid nature of securities, these audits had little to no cash proceeds available for use in paying the contingency fee.

What is important to note is that the issue at hand is simply not having a mechanism from which to pay these invoices. The funds are readily available in our unclaimed property trust fund. We simply need an appropriation to pay them. There would be no use of tax dollars.

Further, to prevent this issue from happening again, we plan to transition away from the net-of-fee's payment structure. To accomplish this we plan to ask the legislature to amend our appropriation to allow us to pay invoices directly from an appropriation. Additionally, this change will drastically increase transparency.

Sincerely,

A handwritten signature in cursive script that reads "Andrea Lea".

Andrea Lea
Auditor of State

BEFORE THE ARKANSAS STATE CLAIMS COMMISSION

KELMAR ASSOCIATES, LLC

CLAIMANT

V.

CLAIM NO. 200875

ARKANSAS AUDITOR OF STATE

RESPONDENT

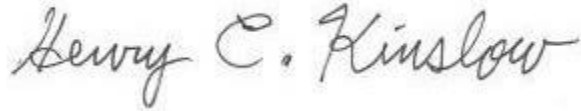
ORDER

This claim was filed by Kelmar Associates, LLC (the “Claimant”) against the Arkansas Auditor of State (the “Respondent”) for an unpaid bill in the amount of \$130,940.22.

Respondent filed an answer on February 25, 2020, admitting liability in the amount of \$130,940.22.

As such, the Arkansas State Claims Commission (the “Claims Commission”) unanimously allows this claim in the amount of \$130,940.22 and refers this claim to the General Assembly for review and placement on an appropriations bill pursuant to Ark. Code Ann. § 19-10-215(b).

IT IS SO ORDERED.



ARKANSAS STATE CLAIMS COMMISSION

Courtney Baird
Dexter Booth
Henry Kinslow, Co-Chair
Paul Morris, Co-Chair
Sylvester Smith

DATE: February 26, 2020

Notice(s) which may apply to your claim

- (1) A party has forty (40) days from the date of this Order to file a Motion for Reconsideration or a Notice of Appeal with the Claims Commission. Ark. Code Ann. § 19-10-211(a)(1). If a Motion for Reconsideration is denied, that party then has twenty (20) days from the date of the denial of the Motion for Reconsideration to file a Notice of Appeal with the Claims Commission. Ark. Code Ann. § 19-10-211(a)(1)(B)(ii). A decision of the Claims Commission may only be appealed to the General Assembly. Ark. Code Ann. § 19-10-211(a)(3).
- (2) If a Claimant is awarded less than \$15,000.00 by the Claims Commission at hearing, that claim is held forty (40) days from the date of disposition before payment will be processed. *See* Ark. Code Ann. § 19-10-211(a). Note: This does not apply to agency admissions of liability and negotiated settlement agreements.
- (3) Awards or negotiated settlement agreements of \$15,000.00 or more are referred to the General Assembly for approval and authorization to pay. Ark. Code Ann. § 19-10-215(b).