September 1, 2021

The Honorable Phil Mendelson
Chairman, Council of the District of Columbia
1350 Pennsylvania Avenue NW, Suite 504
Washington DC. 20004
Via email: pmendelson@dccouncil.us

Re: B24-0285 – Fiscal Year 2022 Budget Support Act of 2021 – Revised Uniform Unclaimed Property Act of 2021

Dear Chairman Mendelson,

The Securities Transfer Association ("STA") and Shareholder Services Association ("SSA") write to express our grave concerns regarding Section 7044 of Bill 24-0285, which allows the Unclaimed Property Administrator to liquidate securities sixty (60) days after receipt. For the reasons discussed herein, the provision is at odds with the corresponding provision enacted by the Uniform Law Commission ("ULC") as part of the Revised Uniform Unclaimed Property Act ("RUUPA") and thereby eviscerates an important element of protection for shareholders.

Founded in 1911, the STA represents more than 100 transfer agents who are responsible for the record keeping for more than 15,000 issuers of securities, representing the investments of over 100,000,000 registered shareholders. The SSA was founded in 1946 with a mission of facilitating its members' compliance with complex state and federal regulatory matters relating to securities. The SSA counts hundreds of public companies as its members and is proud to support its members' service to their shareholders while achieving regulatory compliance. Combined, the STA and SSA's members are directly or indirectly responsible for the record keeping and maintenance of the securities investments of at least one third of the population of the United States. For many of these shareholders, these investments in securities represent their life savings.

The STA's and SSA's members are responsible for compliance with escheat laws nationwide and have an interest in seeing that the escheat laws are administered so as not to create risk of loss for these shareholders. We are writing to request that you amend Bill 24-0285, which will undoubtedly cause significant loss for citizens of the District. As noted above, Bill 24-0285 is at odds with the RUUPA passed by the ULC in July 2016. As you may be aware, the District's ULC Commissioners voted to enact the RUUPA. Surprisingly, however, Bill 24-0285 seeks to reduce drastically the period of time that the Administrator is required to hold securities that have been escheated prior to liquidating such securities.

Section 702 of the RUUPA prevents the liquidation of securities for at least three (3) years after the state receives the property.[1] Further, if shareholders claim their property from the state within six years of its escheatment and the shares have been sold, the unclaimed property administrator is required to make the shareholder whole.[2] Please note that the National Association of Unclaimed Property Administrators served as an advisor to the RUUPA and agreed to these protections, particularly since the goal of any unclaimed property program is to protect property for rightful owners.

In contrast, the current language of Section 7044 of Bill 24-0285 allows for liquidation by the Administrator just sixty (60) days after notice is provided to the apparent owner. While the proposed provision does require the Administrator to notify the rightful owner prior to liquidation, practically speaking, sixty (60) days is simply an insufficient amount of time for a shareholder to be able to take the steps necessary to recover shares. Furthermore, the sale is an irreversible tax event for the shareholder, whereas the return of shares will not negatively impact the owner. Such prompt liquidation will likely add to the expenses and administrative work of the Administrator. As one example of the risks caused by prompt liquidation, the State of Delaware recently settled multi-year litigation in which shareholders lost over $12 million dollars in value due to the state's prompt liquidation of securities.[3] While this case was very high profile, there are hundreds of other cases[4] in which shareholders have been harmed by liquidation provisions in statutes that are intended to be consumer protection

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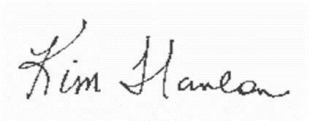
[1] Rev. Unif. Disposition of Unclaimed Prop. Act § 702 (2016).
[2] *Id.* at § 703.
[3] JLI Invest S.A. et al. v. Cook et al., Del. Ch. No. 11274-VCN (2015).

[4] A complaint filed in California in June demonstrates the continued perils inherent in the liquidation of securities. The adversely impacted shareholder lost at least $2 million in value in the Amazon shares that he earned as part of his compensation from Amazon and held as part of his retirement plan. Complaint, Peters v. Yee, No. 3:21-cv-01125-JLS-MDD (S.D. Cal. June 16, 2021).

measures, and the Supreme Court of the United States has taken notice of the fact that such seizures raise constitutional issues.[5]

In order to protect shareholders, we strongly urge the District of Columbia to reject the sixty (60) day liquidation provision currently contained in Bill 24-0285 and replace it with the language of § 702 of the RUUPA adopted by the Uniform Law Commission.

Sincerely,



Kim Hanlon
President
Shareholder Services Association

Todd May
President
Securities Transfer Association

cc: Lynn E. Hall, Manager, Unclaimed Property, via email: lynn.hall@dc.gov

[5] Taylor v. Yee, 136 S. Ct. 929 (2016).