

# THE STA

## SECURITIES TRANSFER ASSOCIATION, INC.

Established 1911

August 6, 2009

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The Honorable Jan Brewer  
Governor of Arizona  
1700 West Washington  
Phoenix, Arizona 85007

RE: Proposed Reduction of Unclaimed Property Dormancy  
Periods to 2 years  
(Senate Bill 1025)

Dear Honorable Jan Brewer,

The Securities Transfer Association, Inc. (the “STA”) is writing to express our concerns regarding certain implications of Senate Bill 1025, recently introduced to the Third Special Session of the Forty Ninth Legislature. The STA is an industry trade organization, established in 1911, that represents more than 100 transfer agents nationwide, who maintain in the aggregate more than 150,000,000 registered shareholder accounts on behalf of more than 15,000 issuers.

As you know, Senate Bill 1025 would shorten the dormancy period for intangible interests in business associations (stocks, shares etc.) and the associated distributions to two years. Such a change in the dormancy period will potentially create a conflict for transfer agents in complying with the rules of the United States Securities and Exchange Commission (the “SEC”) rules.

Registered transfer agents must comply with SEC Rule 17Ad-17 of the Securities Exchange Act of 1934. The intent of this rule is to ensure that reasonable attempts are made to locate “lost” shareowners (as defined in the rule) prior to the remittance of their properties to the respective states. This rule stipulates that transfer agents must conduct database searches for all lost shareowner accounts.

The searches must be conducted as follows:

- 1<sup>st</sup> search between three and twelve months of an account becoming lost.
- 2<sup>nd</sup> search between 6 and 12 months after the first search is completed

It has been our experience that accounts considered as abandoned based upon the date of last contact, as is the case for Arizona, are oftentimes not identified as lost for months after the last contact as "lost" status is triggered by returned mail. The majority of issuers only send mail on a quarterly basis, while others may only send information to shareholders either semi-annually or annually. As a result, an investor may become eligible for abandonment procedures prior to completion of the two searches mandated by Rule 17Ad-17. Under the proposed change to shorten the dormancy to 2 years by Arizona, an account will have a greater likelihood of being escheated rather than being searched and reunited with the rightful owner.

On a practical basis, stock transfer agents typically perform initial searches 6 months after an account is coded lost. This allows such 'lost' holders ample time to realize they've lost contact with an issuer and take steps to re-establish themselves. This also limits the search effort to accounts that are truly lost thereby reducing the client's search costs. In light of this, it may not always be possible to complete the double search cycle contemplated by Rule 17Ad-17, and comply with the proposed two-year dormancy period.

It is the STA's belief that Arizona's proposal for a 2 year dormancy requirement is out of step with the spirit of the SEC's rule, which provides for completion of the 2-search cycle up to 24 months from the time an account is deemed 'lost'.

This legislation, if enacted, would mean that Arizona would have the shortest dormancy period of any state and could place Arizona residents at a disadvantage in terms of the benefit that the SEC intended to afford investors in enacting Rule 17AD-17. We believe that a dormancy period of 3 years (which is the most common dormancy period for these types of assets nationwide) better balances the desire of the SEC to reduce the number of "lost securityholders" and the escheatment of investor assets with the states' desire to safeguard the property of their residents from loss due to abandonment.

The STA respectfully requests that the Arizona legislature consider our concerns and not shorten the dormancy periods for stock and dividends to less than 3 years.

Please contact Paul Griffith, at 781 575 2825, if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Paul Griffith', with a stylized flourish at the end.

Paul Griffith  
Chairperson – Unclaimed Property Committee  
The Securities Transfer Association, Inc.