



UNCLAIMED PROPERTY ALERT

Arkansas proposes immediate liquidation of securities – AR HB 1427

On February 11, 2019, Arkansas proposed HB 1427. If passed, the bill will allow the state administrator to sell securities immediately upon receipt from the holder.

A person making a claim of securities will be entitled to receive either 1) the securities if they are still in the custody of the administrator; or 2) the proceeds received from the sale of the securities, minus any fees and expenses incurred from the sale.

Finally, the bill proposes to restrict any person from taking action or bringing a proceeding for any appreciation or depreciation in the value of the securities that may occur after the delivery to the administrator against the state, administrator, holder, transfer agent, auctioneer, or agent acting for or on behalf of the holder or administrator.

The bill includes an emergency clause stating that the management costs and fees of the current provision which requires the state to hold securities for three years prior to liquidation are “costly” and that “liquidation of securities upon receipt would save the state money and enable the state to invest the proceeds for a greater financial return to the state. Therefore, an emergency is declared to exist, and this act being immediately necessary for the preservation of the public peace, health and safety” will be effective upon approval by the Governor.

What does this mean to you?

This bill does not have a direct holder impact, however it has severe negative impacts to owners of securities. In addition to the immediate liquidation of the securities, the rightful owner will not be

entitled to be made whole by the state administrator's office. If the bill passes, it could have a devastating impact to shareholders and would likely lead to additional litigation. Although the bill attempts to prohibit further legal action by owners who suffer losses as a result of the state's actions, it is unclear if the state has authority to take away an owner's constitutional right within state statute.

Holders of securities should continue to work to find additional and creative ways to find owners above and beyond the state mandated due diligence letters to prevent escheating securities to the states whenever possible.

The full text of the bill can be found [here](#).

This article is intended for informational purposes and is not to be considered legal advice. For additional questions concerning this alert, contact Dana Terry at dterry@georgeson.com or 201-539-1998.

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