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From the Los Angeles Times

## Lost track of those old assets? The state may have seized them

By Marc Lifsher  
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Nearly 15 years ago, the state of California seized about \$25,000 worth of stock that Richard Valdes had set aside and forgotten about.

He's been fighting to get it back almost ever since.

Valdes' stock was in an escrow account that the state declared dormant. But no one from the government tried to contact him before the shares were taken and sold. Valdes said he was effectively robbed of stock that would now be worth at least \$100,000.

"It's unbelievable to me that they can destroy records and sell your property without notifying you," Valdes, 71, said. "I've lived in the same Newport Beach area for 50 years. It's very easy to get ahold of me."

Valdes is one of millions of people who have seen their financial accounts and safe-deposit boxes drained under the state's "unclaimed property" law, which generates about \$400 million in annual revenue for Sacramento, according to the state controller's office.

Last month, however, a federal judge slapped the state with an injunction that at least temporarily halted the seizure of assets. U.S. District Court Judge William B. Shubb said the state wasn't giving "constitutionally adequate notice before accepting or taking title to property."

Valdes and others who have sued the state claim that the government doesn't even try to find people who have misplaced or forgotten about their assets.

Even worse, they say, is that the state contracts with financial "bounty hunters" — auditors who comb through records at banks, escrow companies and insurance firms and elsewhere to find dormant accounts. These companies are typically paid 6% to 12% of what they find, court and state records show.

People who believe the state has taken their property can file a claim to regain it at any time. But many do not even know the state has their money.

States should "be engaged in meaningful, robust outreach efforts to locate owners," said Debbie Zumoff of Keane Organization Inc., whose consulting firm advises companies on their unclaimed property obligations.

Instead, over the years California has sharply curtailed efforts to find people before selling off their property.

Until the mid-1980s, the state controller ran a "locator unit" that searched telephone directories for property owners and published detailed lists of names from unclaimed accounts in newspapers around the state.

But in recent years, as the state came under pressure to balance its budget, efforts to find owners were gradually dismantled.

The locator unit was disbanded around 1985, and through the 1990s and the early part of this decade the Legislature steadily reduced the amount of money the controller could spend on notifying owners of unclaimed assets. In 2003, it eliminated the state's obligation to pay interest on new claims from property holders.

Notices to the public were eventually restricted to generalized newspaper advertisements telling people to contact the controller if they thought they had unclaimed property.

"It became unrestrained looting," said state Sen. Tom McClintock (R-Thousand Oaks).

Californians were also given less time to claim their property before it was seized by the state. In 1977, the so-called escheat period — the amount of time an account could be inactive before being turned over to the state — was reduced from 15 to seven years. It is now three years.

The chain of events that led Valdes to file suit began in 1976, when he sold his Costa Mesa yacht business to Whittaker Corp. for about \$500,000. He was paid in Whittaker stock and stayed on with the company.

About 5% of the shares, then worth about \$25,000, was set aside in an escrow account as a security that the new owners would be able to collect outstanding debts.

Valdes says he soon lost track of these set-aside shares. He didn't realize that his stock was gone until 1996, when a private investigator told him that the state of California had grabbed his securities three years earlier.

The investigator was an "heir finder," specializing in reuniting owners with their lost property for a commission.

Valdes eventually contacted Sacramento attorney William W. Palmer after reading a newspaper article about Palmer's involvement in an unclaimed

property lawsuit.

Palmer subsequently launched a series of lawsuits in state and federal courts on behalf of Valdes and at least a dozen other property owners, losing many of them.

But on April 30, the U.S. 9th Circuit Court of Appeals reversed a federal district court decision, sending the case back to Shubb with instructions to grant a preliminary injunction that temporarily halted the state's sale of unclaimed property. The appeals court noted that citizens have a due-process right to be notified of the possible loss of their property.

The reversal buttressed the legal argument that the unclaimed property law "wasn't designed to be a revenue stream or a profit center," Palmer said.

The injunction sent the controller, the governor and state legislators scrambling to fill an estimated \$442-million hole in the state budget for the fiscal year that began July 1.

They also rushed to increase the controller's budget by \$8 million and hire 87 people to boost efforts to reunite owners and their property.

"I'm trying to fix this," said state Controller John Chiang. "My intent is to get the property back to its owners immediately."

Chiang said he realized there were problems with the program shortly after he took office in January. He said he was backing budget-related legislation that would send notices to owners before their property was taken.

It also would ban the sale of securities until at least 12 months after a notice is sent to their owners. And items in safe-deposit boxes of seeming sentimental value, but without commercial value, would be saved for at least eight months instead of being discarded.

It's unclear whether the state's plan would satisfy Shubb sufficiently for him to lift his injunction. If it doesn't, Chiang said he was ready to push for a comprehensive unclaimed property reform bill offered by Sen. Michael Machado (D-Linden) that would provide stronger protections for property owners.

"The bottom line is it's not the state's money, not the state's property," Machado said.

Meanwhile, state Sen. Dean Florez (D-Shafter) has scheduled investigative hearings in August. He said his Governmental Organization Committee would probe the controller's business dealings with private bounty hunting companies.

"It's a huge problem, and it's going to take a lot of unwinding," Florez said.

Even when the state does make amends, however, Californians can end up shortchanged.

Jo-Ann Seitzinger, another party in the federal lawsuit against the controller, says the state made no effort to find her and return 200 shares of General Electric stock.

The state seized the shares in 1994 from her husband Richard's employee stock option account, even though the Seitzingers had lived in the same Northridge home since 1974 and had filed income tax returns annually with the California Franchise Tax Board.

Jo-Ann Seitzinger said she didn't realize the stock was taken until her son, while researching the family tree on the Internet, found her name in an unclaimed property listing on the controller's website.

Eventually, after she made a claim in 2000, the state sent her a check for \$17,000 to cover the proceeds of the stock sale. She figured the stock would be worth much more than that today if she still owned it.

"You can't be lost anymore. I do probate for a living and have no problem finding heirs," Seitzinger said. "It's impossible they couldn't find Dick and Jo-Ann Seitzinger."

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*(INFOBOX BELOW)*

*Getting it back*

*Think the state may have your money?*

*California is sitting on \$5.1 billion in unclaimed property from dormant bank accounts, safe-deposit boxes and other sources.*

*To find out whether you are owed any of that bounty, go to the state controller's website at <http://www.sco.ca.gov> and click on the link for "unclaimed property."*

*You can also call the controller's office toll-free at (800) 992-4647.*

*Source: California controller's office*