

March 6, 2020

Written statement of Richard Rudinger
CEO | Founder
Next Fiber Technology, LLC
XOSKIN, LLC

To the MD Legislature

Concerning: MD State Law (Title 17) regarding Unclaimed Property

Dear Committee,

I own and operate a very successful small business and my wife Melissa is a long-time business executive with the Aircraft Owners and Pilots Association. We are business savvy and not two absent minded adults who don't understand investment strategies.

We are submitting this testimony today because the current laws regarding notifying consumers of unclaimed property (in our case a Leg Mason investment fund) are tipped against consumers and in favor of maximizing financial institutions profits. In particular, the consumer notification requirements for when a fund is turned over to the state are inadequate and must be strengthened to protect consumers.

The current MD State Law (Title 17) regarding Unclaimed Property is poorly written, unclear, ambiguous and confusing and does more to give the banking industry a free pass, while providing the Maryland consumer with little protection.

The ONLY notification requirement is a single letter mailed first class via the US post office. We experienced this firsthand when a Leg Mason Fund that we had maintained for years was turned over to the state as unclaimed property. The ONLY notification was a single letter mailed via first class US post was sent to our home address. This letter was either lost in the mail or overlooked as junk mail, considering almost all business is now done online and most first class mail is "junk mail". As a result, we have lost money not only on the investment, but we also must pay very large capital gains on a fund that we simply wanted to leave in place until we retire.

At the very least, the letter should have been sent certified with return receipt and the financial institution should be required to call and email the consumer before turning over the funds.

I spoke to the AG #2 in 2019. She stated she was shocked at what happened and literally could see this happening to her family. She did remind me her office enforces the law, but she was candid in stating that Title 17 is poorly written and understood if changes were needed it must be driven through the State Legislature.

I know for a fact I am not alone in this SOP. My wife and I own 401-K and IRA's with many investment in each and we also own 22 mutual funds that are non-retirement accounts. In some of these non-retirement investments we buy monthly shares in some yet others we just allow to work for us. In every investment all capital gains and dividends are re-invested to buy more shares. We receive the proper

IRS 1099 forms from each fund for tax filings and provide all of this information to our family accountant.

The following is the most significant problem with Title 17, If we as investors either check the box to go "paperless" with our funds, then this means we will receive information or sales pitches by email. What if the email by accident goes into junk/SPAM? What if after 60 days a consumer is tired of the email blasts every month from one of your mutual funds, so the individual decides enough is enough and tightens up their SPAM filter to avoid the junk mail.

The fact is this. My wife and I have absolutely no reason to contact our financial institution if we are set up whereby all capital gains and dividends are re-invested monthly and at the end of each year, we receive a 1099 and we file our taxes. What dire need would we have to call these institutions if we are happy with our investments and how everything is performing and set up?

The fact is it's conceivable that a consumer would not have contact with a bank or financial institution for years, if you are no longer actively investing monies and simply keeping the investment. Why would this be "abandoned property". This borders insanity, in my opinion, an arbitrary 3-year time limit before a fund is turned over to the state. And, with no reasonable consumer notification requirements beyond "first class mail that could be assumed to be junk mail".

I respectfully request that you modify the current law by instituting reasonable consumer protections including requiring that financial institutions send a "certified letter" to a consumer, along with other reasonable efforts to contact a consumer (email/phone, etc.) before a fund is turned over to the state. Certified mail and other reasonable efforts to contact consumers is the ONLY way to protect consumers and avoid the situation that happened to my wife and myself.

Thank you for the opportunity to voice my concerns regarding Title 17.

Cheers,



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Rick Rüdinger, CEO | Founder
Next Fiber Technology, LLC | XOSKIN, LLC
The Citadel-83 | US Army Infantry
301.693.9483 Mobile
rick@xoskin.us
rick@nextfibertechnology.com