

THE PHOTO GALLERY



The California State Senate welcomes members of the JCCNC and JBA in June 2010.

Steve Teraoka with George Valverde, Director of the DMV, at Sacramento in June 2010.



Catherine, Liz and Steve are sporting smiles of success following Liz's first trial and first victory!



TERAOKA
LEGAL COUNSEL

**PACIFIC
COUNSELOR™**

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Law Bulletin from TERAOKA & PARTNERS LLP

A Brief Message from Steven Teraoka...

Greetings to our clients and friends at mid-year 2010! I just returned from Sacramento, having accompanied a small business delegation to visit with key legislators and Governor Arnold Schwarzenegger. I was reminded that California's economic recovery is still in limbo. Although the sales tax revenues are up above last year, there still looms a \$19 billion budget deficit. So, California, like the rest of the country, continues to wrestle with a stalled economic recovery. The Governor, however, extended his appreciation to the Japan based investors in our delegation whose substantial investment into California has boosted its economy and tax revenues. As the head of our state, the Governor remains optimistic and hopeful for a near-term recovery. He is planning to head a trade mission to Asia this coming Fall.

I also just completed a round of business board meetings where I observed a variety of revenue and income streams, some of which resulted in positive growth despite depressed economic conditions. Of course, business outcomes varied from sector to sector. I also observed some common denominator success ingredients. Fundamentally, businesses that have done well have financially streamlined their operations, carefully analyzed their market, established goals for the coming year, and adopted plans to meet those goals. Clear vision is a requisite for success. Here at Teraoka & Partners LLP, we continue to remain busy in various practice areas, including new corporate subsidiary formations, corporate compliance, contract creation, executive immigration to enable skilled management transfers, employment compliance and business litigation. We remain grateful for the privilege of working with such an array of fine people. We never forget that our clients' interest is our top priority, and we will continue to strive to meet their expectations and needs.

Despite the fact that there are looming problems beyond our control, such as the Gulf oil spill, the European financial crisis, the housing market and high unemployment, we remain optimistic that 2010 will be a good year to remember.

I look forward to hearing from many of you and to hear of your story for 2010.

Best regards,

Steve Teraoka

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PACIFIC COUNSELOR NEWSLETTER

Please deliver to:

IMMIGRATION AUDITS

Starting July 1, 2009, the Immigration and Customs Enforcement Division of the United States Citizenship and Immigration Service (“ICE”) was given the mandate to audit employers to determine whether they were complying with applicable immigration laws. From that time, 652 businesses nationwide have been targeted for audit as part of a new push by the Obama Administration and ICE to clamp down on employers who hire illegal workers.

Depending on audit findings, actions by ICE could range from compliance guidance to civil penalties or even criminal charges in certain cases.

Of course, not all companies who are visited by ICE auditors are in violation of immigration laws.

All companies should be prepared for random visits from ICE investigators. Those who employ staff who are working in the United States on the H1-B visa should be prepared to provide the names of all of their H1-B staff and to give ICE auditors access to interview each of those employees. The auditors will want to confirm that the employees are actually working at the facility where they are supposed to be, and not have been sourced out to some other company. In addition, the auditors will want to confirm that the actual compensation being paid to the H1-B worker matches the prevailing wage requirement that was used in the visa application. Finally, the ICE auditor may ask the H1-B employee to confirm that he or she did not have to pay for the visa application directly, and to confirm that those funds were in fact paid by the employer.

Similar questions will be used for holders of “L” and “E” visas, to check and confirm that some of the essential pieces of information provided in the application process are in fact true and that the employers are complying with those requirements.

An employer may inadvertently make a statement that will compromise its legal position in the future. Should a company receive a visit from an ICE auditor—or in fact any representative of a governmental agency—the company should consult local counsel for guidance in determining best steps.

ALWAYS WEAR THE RIGHT HAT!

Many successful business people own more than one business. They are frequently advised to create separate corporations to hold the assets of their different businesses. This allows a wise business owner to keep the liabilities and risks of his different businesses separate and distinct from each other. When one enterprise succeeds and the other declines, the successful business does not have a legal obligation to subsidize the

losses of the declining business. If the declining business declares bankruptcy or faces claims from creditors or plaintiffs, the assets of the successful business, properly maintained in a separate corporate entity, should not be subject to attack by those creditors or plaintiffs from the declining business.

If certain steps are not taken by that business owner, however, all protections could disappear, and things could go horribly wrong.

If a business owner does not observe the corporate formalities required to own and operate a corporation, the law will give creditors and plaintiffs the right to “pierce the corporate veil,” meaning that limited liability protection disappears, and the business owner’s personal assets will be at risk. Where someone owns and operates two or more corporations, then, in addition to being able to reach the owner’s personal assets, a creditor or plaintiff who pierces the corporate veil can also reach the assets of the owner’s other corporation.

How to reduce these risks? Keep the walls up! Always wear the right hat! Make sure that the operations of each entity are walled off from the operations of the other entity. When making a decision, taking funds from a bank account, signing a contract, writing a letter or any other business activity, be aware of the hat you are wearing.

Take Sam, for example. Sam owns a successful manufacturing plant corporation where he processes and bags specialty pet food under the trademark name “Sam’s Pet Food.” After achieving success in this area, Sam seizes an opportunity to purchase a pet store, which he operates as a separate corporation under the name “Pets For Less.” Each business has its own trademarks, its own separate stationery and, of course, separate tax I.D. numbers and separate bank accounts. As Sam gets busier, he decides to consolidate all of the paperwork into the office at the food plant. Over time, he writes letters to his food plant employees on the Pets For Less stationery. He uses funds from Sam’s Pet Food corporate account to pay the kennels who supply dogs to Pets For Less. He signs a contract for the alarm company at the food plant under the name of Pets For Less. In all of the years that he has consolidated the administrative offices of both companies, he has never created any sublease from Sam’s Pet Food to Pets For Less.

The pet business goes into a tailspin, and Sam cannot pay the kennels or other suppliers. He holds a “fire sale” and closes the pet store. The kennels go after Sam to collect their receivables and eventually obtain a judgment lien against the assets of the food manufacturing plant.

How can the pet shop suppliers get at the assets of a completely separate business? Because Sam did not consider whether he was wearing his pet store hat or his food manufacturer’s hat as he conducted various activities for his different businesses.

Thus, business owners should always do a quick check in taking any particular action: Which hat am I wearing? Which of my businesses is the subject of this particular activity? Am I using the wrong letterhead? Am I withdrawing from the right bank account? Does the contract list the proper name of my company?

These are a few of the many steps that business owners should take to preserve limited liability in the operation of their businesses. Business owners who have questions about other steps to take to observe the corporate formalities and protect their various corporate and personal assets should contact legal counsel.

HARASSMENT PREVENTION TRAINING

Does your business employ 50 employees or more? If you are an employer with 50 or more personnel, even if they are not all located in California, your business must conduct harassment prevention training to your managers and supervisors in compliance with California law. The training must be conducted by a qualified trainer and must be interactive.

For more information about efficient and lively ways to comply with this California employer requirement, please contact legal counsel.

COBRA RULES

COBRA regulations have been modified by recent laws enacted to provide relief to laid off staff. If you are planning a termination for any reason, consult legal counsel about the latest rules regarding COBRA benefits.

THE INFORMATION DESCRIBED ABOVE IS FOR GENERAL INFORMATION PURPOSES ONLY AND SHOULD NOT BE CONSTRUED OR RELIED UPON AS LEGAL ADVICE OR LEGAL OPINION ON SPECIFIC FACTS OR CIRCUMSTANCES. EACH PERSON HAS PARTICULAR SITUATIONS, CIRCUMSTANCES AND ISSUES UNIQUE TO HIM OR HER. YOU SHOULD CONSULT WITH YOUR LEGAL AND/OR TAX EXPERTS IN ORDER TO DETERMINE WHAT IS SUITABLE FOR YOUR BUSINESS.

LOS ANGELES JABA HONORS VETERANS



The attorneys of Teraoka & Partners LLP and their families attended the Los Angeles Japanese American Bar Association’s 34th Annual Installation Dinner in L.A. on February 19, 2010. The Association honored World War II Nisei veterans, including those who served in the 100th Battalion/442nd Regimental Combat Team and the Military Intelligence Service. Los Angeles Superior Court Judge Vincent H. Okamoto, a decorated Sansei Vietnam War veteran, served as Master of Ceremonies. Distinguished Nisei veterans from the 442nd Regimental Combat Team and the Military Intelligence Service attended the event, entering the banquet room in procession as the 82nd Airborne Division All-American Chorus sang the National Anthem. Over 520 guests attended the gala dinner for what turned out to be a very moving and inspiring evening.

Pictured above are Steve Teraoka and Catherine Gormley with Holly Fujie, Past President of the California Bar Association, who attended the event.

Pictured below are attorneys from Teraoka & Partners’ Los Angeles office and their family and friends.

