

California Labor and Employment Legislation

The first half of the 2011-12 Regular Session of the California Legislature has concluded. Below is a summary of those labor and employment-related bills that Governor Brown approved and will become law on January 1, 2012 (except as otherwise specified), as well as significant bills that Governor Brown vetoed.

While Governor Brown exercised his veto power far less than his predecessor did, employers should be relieved that Governor Brown did not approve all the new legislation favoring the plaintiffs' bar and organized labor to the detriment of California employers. Governor Brown vetoed a number of bills that he believed would harm California businesses. However, he did give a nod to organized labor by approving several bills that will make operations more difficult for many California employers.

The most significant labor and employment-related bills the Governor approved place restrictions on employers' use of credit reports, prohibit and penalize "willful misclassification" of independent contractors, and place requirements on health insurance plans and employers regarding coverage of employees on maternity leave and payment for maternity and autism services. Notably, the Governor approved a bill revising certain procedures under the Agricultural Labor Relations Act, which Governor Brown originally signed into law back in the 1970s, but he vetoed more sweeping reform of the ALRA with respect to card checks.

Approved Bills

Employment: Credit Reports AB 22 Mendoza

This bill generally prohibits employers from using an applicant's or employee's credit history in making employment decisions. Prior to this legislation, employers could request a credit report for employment purposes if they provided prior written notice of the request to the person for whom the report was sought. This bill significantly changes the current landscape by prohibiting employers from using credit reports for employment purposes unless the report is used for one of the following limited purposes: (1) a managerial position; (2) position in the state Department of Justice; (3) a sworn peace officer or other law enforcement; (4) a position for which the information contained in the report is required by law to be disclosed or obtained; (5) a position that involves regular access to confidential information such as credit card account information, social security number, or date of birth; (6) a position in which the person can enter into financial transactions on behalf of the company; (7) a position that involves access to confidential or proprietary information; or (8) a position that involves regular access to cash totaling ten thousand dollars (\$10,000) or more of the employer, a customer, or client, during the workday. Governor Schwarzenegger vetoed similar legislation the past three years.

California joins Washington, Oregon, Hawaii, Illinois, Maryland, and Connecticut as states with legislation restricting employers' use of credit reports, and similar legislation is pending in several other states. Accordingly, employers who use credit information as part of employment screening or other hiring purposes should evaluate their policies with respect to the use of credit reports.

Amends section 1785.20.5 of the Civil Code and adds Chapter 3.6 to Part 2 of Division 2 of the Labor Code.

Signed by the Governor on October 9, 2011. Chapter 724, Statutes of 2011.

Hiring Practices: E-Verify AB 1236 Fong

This bill prohibits the state — or a city, county, city and county, or special district — from requiring an employer other than one of those government entities to use an electronic employment verification system except when required by federal law or as a condition of receiving federal funds.

Adds Article 2.5 (commencing with Section 2811) to Chapter 2 of Division 3 of the Labor Code.

Signed by the Governor on October 9, 2011. Chapter 691, Statutes of 2011.

Leaves of Absence: Organ and Bone Marrow Donation Leave SB 272 DeSaulnier

Last year, Governor Schwarzenegger signed into law legislation that requires private employers to permit employees to take paid leaves of absence for organ (30 days in a one-year period) and bone marrow (5 days in a one-year period) donation. This bill clarifies that: (1) the one-year is a rolling 12-month period, measured forward from the date an employee uses the leave; (2) the leave entitlement is measured in business days, not calendar days; (3) the leave is not considered a break in service for purposes of benefit accruals and seniority; and (4) an employer may require an employee taking bone marrow leave to use up to five days of accrued paid time off, and an employee taking organ donation leave to use up to two weeks of accrued paid time off.

Amends Section 1510 of the Labor Code.

Signed by the Governor on August 1, 2011. Chapter 147, Statutes of 2011.

Leaves of Absence: Interference AB 592 Lara

The California Family Rights Act and the Pregnancy Disability Leave Law prohibit an employer from denying an eligible employee's request for leave to care for a family member with a serious health condition, to bond with a child, to attend to the employee's own serious health condition, or for disability due to pregnancy or childbirth. This bill additionally makes it unlawful for an employer to interfere with, or restrain the exercise or attempted exercise of, any right provided to an employee under the California Family Rights Act and Pregnancy Disability Leave Law. This bill states that the changes it makes are declaratory of existing law.

Amends Sections 12945 and 12945.2 of the Government Code.

Signed by the Governor on October 9, 2011. Chapter 678, Statutes of 2011.

Health Insurance: Maintenance of Coverage During Maternity Leave SB 299 Evans

This bill prohibits employers from refusing to maintain and pay for insurance coverage for the duration of maternity leave, up to four months. Employers may recover insurance premiums from the employee if the employee fails to return from maternity leave provided that the employee's failure to return from maternity leave is not due to leave taken under the Moore-Brown-Roberti Family Rights Act (CFRA), for a health condition that entitles the employee leave, or for another circumstance beyond the control of the employee.

Amends Section 12945 of the Government Code.

Signed by the Governor on October 6, 2011. Chapter 510, Statutes of 2011.

Health Insurance: Coverage for Maternity Services SB 222 Evans / AB 210 Hernandez

Existing law, the Knox-Keene Health Care Service Plan Act of 1975, requires health care service plans to provide maternity services as a basic health care benefit. However, health insurers are not required to provide coverage for maternity services. These two bills require, beginning July 1, 2012, that every individual health insurance policy and group health insurance policy provide coverage for maternity services for all insureds covered under those policies.

In his signing message, referring to these bills and SB 299 (above), the Governor stated: "Healthy mothers mean healthy babies. I want the next generation of Californians to get the best possible start in life. The bills I signed today require that insurance companies cover maternity services for pregnant women, and ensures that mothers who take maternity leave no longer have to fear losing their medical coverage."

Adds Sections 10123.865 and 10123.866 to the Insurance Code.

Signed by the Governor on October 6, 2011. Chapters 508 and 509, Statutes of 2011.

Health Insurance: Domestic Partner Sexual Orientation Discrimination

SB 757 Lieu

Existing law requires a health care service plan and a health insurance policy to provide group coverage to the registered domestic partner of an employee, subscriber, insured, or policyholder that is equal to the coverage it provides to the spouse of those persons. This bill specifies that a plan or policy may not discriminate in coverage between spouses or domestic partners of a different sex and spouses or domestic partners of the same sex.

This bill further provides that every group health care service plan contract and every group health insurance policy that is marketed, issued, or delivered to a California resident is subject to the requirements to provide equal coverage to domestic partners as is provided to spouses. The bill would also provide that notwithstanding the exception for a policy issued outside of California to an employer whose principal place of business and majority of employees are located outside of California, no policy or certificate of health insurance marketed, issued, or delivered to a resident of this state shall discriminate in coverage between spouses or domestic partners of a different sex and spouses or domestic partners of the same sex. A willful violation of these provisions by a health care service plan is a crime.

The bill does not impact ERISA-covered self-insured medical plans. It only affects insured plans regulated by California law and plans covered by Knox-Keene.

Amends Section 1374.58 of the Health and Safety Code. Adds Section 1367.30 to the Health and Safety Code. Amends Sections 10112.5 and 10121.7 of the Insurance Code.

Signed by the Governor on October 9, 2011. Chapter 722, Statutes of 2011.

Health Insurance: Autism Medical Services SB 946 Evans and Steinberg

Effective July 1, 2012, this bill will — among other things — require health care service plan contracts and health insurance policies (with some exceptions) to provide coverage for "behavioral health treatment" for pervasive developmental disorder or autism. In deference to the federal health care reform, these provisions will becomes inoperative July 1, 2014, and repealed on January 1, 2015.

Amends Section 121022 of, adds Section 1374.74 to, and adds and repeals Section 1374.73 of, the Health and Safety Code. Adds and repeals Sections 10144.51 and 10144.52 of the Insurance Code. Amends Sections 5705, 5708, 5710, 5716, 5724, and 5750.1 of the Welfare and Institutions Code.

Signed by the Governor on October 9, 2011. Chapter 650, Statutes of 2011.

Health Facilities: Patient Lift Teams

AB 1136 Swanson

This bill amends the California Occupational Safety and Health Act of 1973 to require an employer to maintain a "safe patient handling policy" for patient care units, and to provide "trained lift teams" or staff trained in safe lifting techniques in each general acute care hospital, except for specified hospitals. The safe patient handling policy would require powered patient transfer devices, lifting devices, or lift teams replace manual lifting and transferring of patients. As part of the injury and illness prevention programs required by existing regulations, employers would be required to adopt a patient protection and health care worker back and musculoskeletal injury prevention plan, which must include a safe patient handling policy component to protect patients and health care workers in health care facilities. Governor Schwarzenegger previously vetoed similar legislation.

Adds Section 6403.5 to the Labor Code.

Signed by the Governor on October 7, 2011. Chapter 554, Statutes of 2011.

Discrimination: Genetic Information SB 559 Padilla

This bill prohibits discrimination under the Unruh Civil Rights Act and the California Fair Employment and Housing Act (FEHA) on the basis of genetic information. "Genetic information" under the bill means information about the following: (1) an individual's genetic tests; (2) genetic tests of family members of the individual; or (3) the manifestation of disease or disorder in family members of individuals. "Genetic information" includes any request for, or receipt of, genetic services, or participation in clinical research that includes genetic services by an individual or any family member of the individual. "Genetic information about the sex or age of any individual.

The federal Genetic Information Non-Discrimination Act of 2008 (GINA), covers employers with 15 or more employees. As a result of this bill, California law will cover employers with 5 or more employees. Unlike the federal law, this bill prohibits discrimination, retaliation and harassment but does not impose specific restrictions on acquiring genetic information and confidentiality obligations, although such restrictions may be imposed through regulations.

Gender Identity AB 887 Atkins

This bill makes changes to various provisions with regard to gender, including revising provisions that define gender as including a person's gender identity and gender-related appearance and behavior whether or not stereotypically associated with the person's assigned sex at birth. The revision refines the definition of gender to also mean a person's gender identity and gender expression and defines gender expression as meaning a person's gender-related appearance and behavior whether or not stereotypically associated with the person's gender-related appearance and behavior whether or not stereotypically associated with the person's assigned sex at birth.

Amends Section 51 of the Civil Code, Sections 200, 210.2, 210.7, 220, 32228, 47605.6, 51007, 66260.6, 66260.7, and 66270 of the Education Code, Sections 12920, 12921, 12926, 12930, 12931, 12935, 12940, 12944, 12949, 12955, 12955.8, 12956.1, and 12956.2 of the Government Code, Sections 676.10, 10140, 10140.2, and 12693.28 of the Insurance Code, Section 3600 of the Labor Code, and Sections 186.21, 422.56, 422.85, 3053.4, and 11410 of the Penal Code

Signed by the Governor on October 9, 2011. Chapter 719, Statutes of 2011.

Independent Contractors: Willful Misclassification SB 459 Corbett

This bill prohibits willful misclassification of individuals as independent contractors. It prohibits charging individuals who have been mischaracterized as independent contractors a fee or making deductions from compensation where those acts would have violated the law if the individuals had not been mischaracterized. The bill further authorizes the Labor and Workforce Development Agency (LWDA) to assess specified civil penalties from, and take other specified disciplinary actions against, persons or employers violating these prohibitions. The bill requires the LWDA to notify the Contractors' State License Board of a violator that is a licensed contractor, and require the Board to initiate an action against the licensee. The bill further authorizes the Labor Commissioner to issue determinations that a person or employer has violated these prohibitions with regard to an individual filing a complaint, and to assess civil and liquidated damages against a person or employer based on a determination that the person or employer has violated these provisions. Moreover, the bill provides that any person who, for money or other valuable consideration, knowingly advises an employer to treat an individual is not found to be an independent contractor. Exempt from these provisions regarding joint and several liability is any person who provides advice to his or her own employer or an attorney who provides legal advice in the course of practicing law.

Adds Sections 226.8 and 2753 to the Labor Code.

Signed by the Governor on October 9, 2011. Chapter 706, Statutes of 2011.

Compensation Recovery Actions: Liquidated Damages AB 240 Bonilla

This bill permits an employee to recover liquidated damages pursuant to a complaint brought before the Labor Commissioner alleging payment of less than the state minimum wage.

Amends Sections 98 and 1194.2 of the Labor Code.

Signed by the Governor on September 7, 2011. Chapter 272, Statutes of 2011.

Employees: Wages AB 469 Swanson

This bill makes various changes to the Labor Code, including the following:

(1) Provides that in addition to being subject to a civil penalty, any employer who pays any employee less than minimum wage must pay restitution of wages to the employee. The bill additionally makes it a misdemeanor if an employer willfully violates specified wage statutes or orders, or willfully fails to pay a final court judgment or final order of the Labor Commissioner for wages due.

(2) Extends the period within which the Division of Labor Standards Enforcement may commence an action for collection of a statutory penalty or fee from one year to 3 years after the penalty or fee became final.

(3) Extends the time required for an employer who has been convicted of a subsequent wage violation to maintain a bond from 6 months to 2 years and requires that a subsequently convicted employer provide an accounting of assets to the Labor Commissioner.

(4) Requires an employer to provide each employee, at the time of hiring, with a notice that specifies the rate and the basis, whether hourly, salary, commission, or otherwise, of the employee's wages and to notify each employee in writing of any changes to the information set forth in the notice within seven calendar days of the changes unless such changes are reflected on a timely wage statement or another specified writing.

Amends Sections 98, 226, 240, 243, 1174, and 1197.1 of, and adds Sections 200.5, 1194.3, 1197.2, 1206, and 2810.5 to, the Labor Code.

Signed by the Governor on October 9, 2011. Chapter 655, Statutes of 2011.

Farm Labor Contractors: Itemized Statement of Wages

AB 243 Alejo

Existing law requires employers to provide employees, semimonthly or at the time of each payment of wages, with an accurate itemized written statement that shows specified data including, but not limited to, gross wages, total hours worked, and the name and address of the legal entity that is the employer. For employers that are farm labor contractors, as defined in subdivision (b) of Section 1682, this bill additionally requires that the written statement include the name and address of the legal entity that secured the employer's services.

Amends Section 226 of the Labor Code.

Signed by the Governor on October 9, 2011. Chapter 671, Statutes of 2011.

Agricultural Labor Relations: Procedural Revisions SB 126 Steinberg

This bill makes various revisions to procedures of the Agricultural Labor Relations Board (ALRB) with respect to certification and unfair labor practices.

Specifically, this bill provides that if the ALRB refuses to certify an election regarding certification of a labor organization because of employer misconduct that, in addition to affecting the results of the election, would render slight the chances of a new election reflecting the free and fair choice of employees, the labor union shall be certified as the exclusive bargaining representative for the bargaining unit. The bill specifies time limits for the scheduling of hearings on election objections and challenges to ballots regarding certification or decertification, and time limits for the issuance of decisions by the ALRB with respect to those objections and challenges.

Under existing law, the ALRB has the power, upon issuance of a complaint that a person is engaging in unfair labor practices, to petition the Superior Court in any county where the unfair labor practice in question is alleged to have occurred, or where the person resides or transacts business, for appropriate temporary relief or a restraining order. This bill specifies what the court is to consider in determining whether temporary relief or a restraining order is just and proper. When the alleged unfair labor practice is such that, by its nature, it would interfere with the free choice of employees to choose or not choose an exclusive bargaining representative, appropriate temporary relief or a restraining order shall issue on a showing that reasonable cause exists to believe that the unfair labor practice has occurred. This bill provides that the order shall remain in effect until an election has been held or for 30 days, whichever occurs first. Temporary relief or restraining order shall not be stayed pending appeal.

This bill further revises specified time for filing a declaration by an agricultural employer or a certified labor organization representing agricultural employees that the parties have failed to reach a collective bargaining agreement, thus triggering mandatory mediation.

This bill provides that the filing of a petition for review of an order of the ALRB which requires a person to cease and desist from an unfair labor practice shall not be grounds for a stay of proceedings pertaining to mandatory mediation.

Amends Sections 1156.3, 1158, 1160.4, and 1164 of the Labor Code.

Signed by the Governor on October 9, 2011. Chapter 697, Statutes of 2011.

Employment of Minors: Agricultural Packing Plants

AB 1398 (Chesboro)

Existing law prescribes limits on the hours of employment of minors, but authorizes the Labor Commissioner to grant an exemption to employers operating agricultural packing plants for the employment of minors 16 and 17 years of age for up to 10 hours on days when school is not in session, during the peak harvest season. One such exception exists for Lake County.

This bill extends the operation of exceptions pertaining to the employment of minors in Lake County from the current expiration date of January 1, 2012, until January 1, 2017. This bill would also change the written reporting requirements of affected employers to require a written report regarding payroll to be filed annually on or before October 1. Where the Labor Commissioner was previously required to issue an annual report on the working conditions of minors employed in the agricultural packing industry, this bill now requires the Labor Commissioner to file a single report by November 1, 2016, covering the previous five and a half year period from March 1, 2011, to October 1, 2016 instead.

Amends Section 1393.5 of the Labor Code.

Approved by the Governor on October 5, 2011. Chapter 489, Statutes of 2011.

Public Contracts: Gender and Sexual Orientation Discrimination

SB 117 Kehoe

Existing law prohibits a state agency from entering into any contract for goods or services in the amount of \$100,000 or more with a contractor that does not provide the same benefits to an employee with a registered domestic partner that it provides to an employee with a spouse. This bill additionally prohibits a state agency from entering into a contract in the amount of \$100,000 or more with a contractor who discriminates based on the gender or sexual orientation of the spouses or domestic partners of employees.

A possibility exists that these provisions could eventually be invalidated on ERISA preemption grounds: although this issue is far from settled, some courts have indicated that government entities may not contradict federal ERISA law with equal benefits laws or ordinances such as this one.

Amends Section 10295.3 of the Public Contract Code.

Signed by the Governor on September 6, 2011. Chapter 231, Statutes of 2011.

Unemployment Insurance: Motion Picture Industry AB 55 Gatto

By removing the January 1, 2012 repeal date, this bill extends existing unemployment insurance law provisions which:

(1) Require any employing unit that is a "motion picture payroll services company" to be treated as an employer of a "motion picture production worker" and to file a statement of intent with the Employment Development Department (EDD); and

(2) Require any employment unit operating as a motion picture payroll services company that quits business to file with the director of the EDD a final return and report of wages, as provided, and to notify the motion picture production companies and allied motion picture services of its intent to quit business, as provided.

Amends Section 679 of the Unemployment Insurance Code.

Signed by the Governor on August 3, 2011. Chapter 160, Statutes of 2011.

Vetoed Bills

Payroll Cards: Debit Cards SB 931 Evans

This bill would have restricted employers' ability to use debit cards to pay employees' wages. In his veto message, the Governor stated that he agrees with the goal of containing costs for workers who choose to accept pay cards, but: "[u] nfortunately this bill goes too far. It would impose numerous and costly new requirements on pay card providers. A likely result of these mandates is that banks and employers may simply stop offering this service, injuring the very workers this bill aims to protect."

Vetoed on October 9, 2011.

Employment Contracts AB 267 Swanson

This bill would have made void and unenforceable any provision in an employment contract that requires an employee, as a condition of obtaining or continuing employment, to use a forum other than California, or to agree to a choice of law other than California law, to resolve any dispute with an employer regarding employment-related issues that arise in California.

In his veto message, the Governor stated that "current law prohibits California employees from being subjected to laws or forums that substantially diminish their rights under our laws and I have not seen convincing evidence that these protections are insufficient to protect employees in California... I would note that imposing this burden could deter out of state companies from hiring Californians — something we can ill afford at this time of high unemployment."

Vetoed on October 9, 2011.

Leaves of Absence: Bereavement AB 325 Lowenthal

This bill would have required an employer to provide employees with up to three days of unpaid bereavement leave, and would have authorized an employee who has been discharged, disciplined, or discriminated against for exercising his or her right to bereavement leave to bring a civil action against his or her employer for reinstatement, damages, and attorney's fees.

In vetoing the bill, Governor Brown declared the bill unnecessary because "I believe that the vast majority of employers voluntarily make such an accommodation for the loss of a loved one," and noted his "concern that this measure adds a far more reaching private right to sue than is contained in related statutes."

Vetoed on October 9, 2011.

Agricultural Employees: Card Check SB 104 Steinberg

This bill would have eliminated a secret ballot election for employees in agricultural bargaining units and replaced it with the submission of representation cards signed by more than 50 percent of the employees. This bill would also have specifically authorized the Agricultural Labor Relations Board to set aside an election where employer misconduct affected the outcome of the election. This bill was this year's version of Steinberg's AB 1474, which Governor Schwarzenegger vetoed last year.

In his veto message, Governor Brown noted that when he was Governor in 1975 he signed the nation's first agricultural labor relations act, the ALRA, and that under the ALRA "tens of thousands of agricultural workers have voted for unionization or otherwise expressed their choices as to how their interests should be advanced." He further noted that he was not convinced that the far reaching proposals of this bill — many of which alter the principles of the ALRA — are justified.

Vetoed on June 28, 2011.

In-Home Child Care Providers: Bargaining Representative AB 101 Perez

This bill would have specifically authorized family child care providers to organize and to choose whether to be represented by a single provider organization that would be designated pursuant to a specified petition and election process overseen by the Public Employment Relations Board or a neutral third party designated by the board. The bill would have further authorized a certified provider organization to perform various functions, including meeting with state regulatory agencies and negotiating various matters with the Department of Personnel Administration. The bill would have prohibited provider organizations from calling strikes and from interfering with, intimidating, restraining, coercing, or discriminating against a family child care provider because the family child care provider joins or refuses to join a provider organization.

Governor Brown expressed his support for maintaining quality and affordable healthcare, as well as ensuring decent and fair working conditions for childcare providers. However, Governor Brown vetoed the bill stating that he was reluctant to embark on a program of this magnitude and potential cost given California's "huge budget challenges."

Vetoed on October 4, 2011.

Civil Rights: Language Restrictions SB 111 Yee

This bill would have made it a violation of the Unruh Civil Rights Act to adopt or enforce a policy that requires, limits, or prohibits the use of any language in a business establishment. A prohibition on language use would have been only allowed where (1) the policy is justified by a business necessity; and (2) notification has been provided of the circumstances, the time when the language restriction or requirement is to be observed, and the consequences for its violation. The bill would have defined business necessity to require, among other things, that the language restriction or requirement is necessary for the safe and efficient operation of the business and that an equally effective, but less discriminatory, alternative practice does not exist.

Additionally, this bill would have provided for civil remedies for violations of the Unruh Civil Rights Act. In his veto letter, Governor Brown noted that similar protections were already in place, and expressed his concern that businesses could be subject to costly litigation for running afoul of the proposed bill without any malice or bad intent.

Vetoed on September 6, 2011.

Commuting: Increased Benefits Policies SB 582 Yee

Beginning January 1, 2013, this bill would have allowed metropolitan planning organizations in conjunction with local air quality management districts to adopt a commute benefit ordinance that would have required covered employers with 20 or more covered employees to offer those employees certain commute benefits. The organization and district would have been authorized to require employers to provide one of the following choices to its employees: (1) a pretax option that would allow employees to exclude commuting costs associated with transit passes, vanpool charges, or bicycle commuting from taxable wages; (2) an employer-paid benefit where the monthly cost of commuting via public transit or vanpool is reimbursed by the employer; or (3) an employer-provided transit benefit where transportation is provided by the employee.

Vetoed on August 1, 2011.

Civil Actions: Costs AB 559 Swanson

This bill would have limited judicial discretion to reduce or deny costs, including attorney's fees, in claims brought under the California Fair Employment and Housing Act that could have been brought in a limited civil proceeding. In vetoing the bill, Governor Brown wrote: "in this case, I think the Supreme Court got it right. Judges are in the best position to decide whether to award or deny fees in these instances."

This bill, like Swanson's AB 1773 from the prior session, is in response to the California Supreme Court's January 14, 2010, holding in Chavez v. City of Los Angeles, 47 Cal.4th 970 (2010), that a trial court has discretion in a civil action brought under FEHA to deny a successful plaintiff attorney's fees when the plaintiff chooses to proceed in an unlimited civil jurisdiction, but recovers less than the \$25,000 jurisdictional minimum for an unlimited case. Governor Schwarzenegger vetoed AB 1773.

Vetoed on September 26, 2011.

2012 Legislative Calendar

Jan. 1 Statutes take effect (Art. IV, Sec. 8(c)).

Jan. 4 Legislature reconvenes (J.R. 51 (a)(4)).

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