NEW CALIFORNIA EMPLOYMENT LAWS FOR THE NEW YEAR
BY MARINA A. GALATRO, PHR-CA
SR. HUMAN RESOURCES CONSULTANT

2014 was a busy year for California Governor Jerry Brown, who has signed numerous bills into law for 2015. A few are summarized below.

Mandatory Paid Sick Leave (AB 1522)

As mentioned in our October 2014 HR Focus article, Governor Brown signed the Healthy Workplaces, Healthy Families Act of 2014 (AB 1522), which provides workers with paid sick days starting July 1, 2015. The new law requires California employers to provide employees with one hour of paid sick leave for every 30 hours worked. Employees under a collective bargaining agreement are exempt if they meet certain criteria. Note that San Francisco has its own paid sick leave ordinance and Oakland just passed its own paid sick leave law effective March 2, 2015.

Under the new law, employees can begin using their paid sick days on the 90th day of their employment for their own health condition, a family member's health condition, and if the employee is a victim of domestic assault, sexual violence, and/or stalking.

The Division of Labor Standards Enforcement’s website has been updated to include Frequently Asked Questions on California’s new Paid Sick Leave law, as well as a revised Wage Theft Prevention Act Notice and workplace poster. Both the Wage Theft Prevention Act Notice and workplace poster are effective January 1, 2015, although the paid sick leave law does not begin until July 1, 2015.

Links to the FAQs, notice and poster can be found on the “What’s New” section at the bottom of the home page of DLSE’s website.

Employers with an existing sick time or paid time off (PTO) policy that is as, or more, generous than the new law will be deemed compliant. Employers without a sick leave or PTO policy are advised to seek guidance from legal counsel.

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Driver’s Licenses for the Undocumented – Clean-Up Legislation (AB 1660)

In 2013, Governor Brown signed AB 60, authorizing the California Department of Motor Vehicles to issue driver’s licenses to undocumented immigrants. AB 1660 made it a violation of state law to discriminate against any person who possesses a driving privilege or “DP” license (aka as “AB 60 driver’s licenses”). AB 1660 clarifies that the statute does not change an employer’s obligation to comply with federal immigration law, which would include completing the Form I-9 when hiring new workers. AB 60 driver’s licenses are scheduled to start being issued on January 1, 2015.

“Abusive conduct” Training Requirement (AB 2053)

Since 2005, AB 1825 has directed employers with 50 or more employees to provide at least two hours of sexual harassment training and education to all California supervisory employees once every two years.

AB 2053 expands this training requirement to include training on prevention of “abusive conduct.” “Abusive conduct” is defined under the new law as conduct of an employer or employee in the workplace, with malice, that a reasonable person would find hostile, offensive and unrelated to an employer’s legitimate business interests. The statute further provides that abusive conduct may include repeated infliction of verbal abuse, such as the use of derogatory remarks, insults, and epithets; verbal or physical conduct that a reasonable person would find threatening, intimidating, or humiliating; or the gratuitous sabotage or undermining of a person’s work performance.

AB 2053 does not command any specific training content, nor does it mandate any specific amount of time be allotted to this component.

The new law sends a clear message that bullying and intimidation using put-downs and insults contribute to sexual harassment (Taylor v. Nabors Drilling USA, LP).

Willis recommends that companies include training on prevention of “abusive conduct” as part of their CA AB 1825 compliance training.

Discrimination and Harassment Protection for Unpaid Interns (AB 1443)

AB 1443 extends the harassment and discrimination protections of California’s Fair Employment and Housing Act (FEHA) to unpaid interns, volunteers and apprenticeship trainees. Under AB 1443, an employer may also be liable for harassment of an unpaid intern if the employer knew or should have known of the conduct and failed to take immediate and appropriate corrective action.

Practical Tip. This new anti-harassment category should be added to company policies and incorporated into harassment prevention training. Interns should be advised of their rights and the employer’s complaint process.

Predictable Scheduling and Fair Treatment for Formula Retail Employees Ordinance

San Francisco has enacted an ordinance designed to require large retail chains to provide more predictability to their workers. The “Predictable Scheduling and Fair Treatment for Formula Retail Employees Ordinance” will become operative on July 5, 2015. A copy is available here.

The ordinance will apply to retail sales establishments that have 20 or more employees in San Francisco, have 20 or more establishments worldwide, and maintain two or more of the following features:

- A standardized array of merchandise
- A standardized façade
- A standardized décor and color scheme
- Uniform apparel
- Standardized signage
- A trademark or service mark

The ordinance will require covered employers to provide their employees with biweekly schedules at least 14 days in advance. Employers will also be required to provide advance notice of certain scheduling changes or be subject to the following pay penalties:

- One hour of pay if the employer fails to give at least seven days’ notice of a schedule change but at least 24 hours’ notice
- Two hours of pay for fewer than 24 hours’ notification of a change of each shift of four hours or less
- Four hours of pay for fewer than 24 hours’ notification of a change of each shift of more than four hours

The ordinance also requires employers to pay employees for time spent on call, including two hours of pay for each on-call shift of four hours or less and four hours of pay for each on-call shift of more than four hours. Certain exceptions apply to these requirements, such as schedule changes caused by emergencies or employees who cannot work because of illness.

Health Care (SB 1034)

SB 1034 deletes certain provisions of California law related to waiting period limitations for health care coverage and clarify that employer enforced waiting periods are governed by the 90-day period authorized under the federal Patient Protection and Affordable Care Act (ACA).
HR’S CHALLENGE TO NURTURE INTERNAL TALENT AND STAY AHEAD OF THE COMPETITION

Often aggressively described as a ‘war’ or a ‘race’ for talent, human resources’ challenge to attract, retain, and grow the best available human capital is not for the faint-hearted. With employee turnover estimated to cost U.S. businesses an estimated $11 billion a year, the stakes in the battle for capability and experience are high. With this vast financial impact in mind, organizations are realizing that focusing on creating a culture where leadership development is valued as a strategic imperative is critical to emerging as winners.

Since recruiting costs stand at roughly 150 percent of an employee’s annual salary, companies are rightly and increasingly looking at promoting from within, particularly for highly paid executive level and CEO level positions. By nurturing homegrown talent, HR is prudently choosing the organization as the pool in which to fish for the next generation of leaders.

This forward-thinking position of investing in leadership development and succession programs allows emerging young talent to be appropriately prepared to take over when the time comes. As the late Dame Anita Roddick, international businesswoman, once commented, “Leaders should encourage the next generation not just to follow, but to overtake.

**HR’s Key Roles in Managing this Process**

Firstly, HR needs to ensure that organizations continue to value and prioritize development and succession planning consistently and for the long term. The costs of getting it wrong are manifold—newly appointed young leaders without sufficient experience or the guiding hand of an experienced mentor can make costly mistakes.

From side-stepping recruitment advertising costs, signing-on bonuses, and the fact that it takes an estimated 28 weeks for an external candidate to reach optimum productivity, the financial advantages of promoting from within over bringing in an external candidate are obvious.

However, fishing for talent in shallow water is a pointless exercise. To identify and nurture candidates with the most future potential, HR’s second key role in this process is to ensure that emerging talent pools are constantly refreshed.

This so-called ‘race for talent’ could be better described as a marathon rather than a sprint. A major organization in the manufacturing sector across Germany, mainland Europe, and North America, has recently brought Acuity Global Development onboard to oversee a 3-year long CEO succession program.

From the five key candidates identified for the CEO position, assessment and CEO coaching over a prolonged time are being used to work out who is most suited to the role. Alongside this, the organization is running a benchmarking exercise, employing the services of a search firm to compare and contrast to high-quality external résumés with internal candidates. HR has a lot to deal with, not only the need to nurture existing talent, but to justify this strategy by keeping an eye on the best of the rest.

Continued on page 4
Technology’s Impact on the ‘Agility’ of HR

Fortunately, the dawn of self-service HR and the edging out of paper-based HR practices has allowed HR to become more agile and strategically focused. Today’s HRs now have the freedom to hand over previously time-consuming administrative HR tasks directly to line managers. Technology has enabled HR to delve into thorough research about candidates, the competition, and outside perceptions of the company and keep up with best practice on securing engagement and retaining talent.

Effective management of social media is also a key part of the HR toolkit; organizations can’t afford to think for a minute that competitors aren’t going to use the cut and thrust of social media to lure away its best human assets.

This temptation for employees to check whether the grass is greener elsewhere is a fact that organizations have long had to face. In the case of senior executives, this may present particular challenges. Some of those who find their current position undernourished (and under nourishing) may be looking for opportunities, new levels of responsibilities, or a change of focus that their organization cannot easily provide.

HR has two defenses against this: 1) to have an ‘exit strategy’ in place so that succession can be handled without disruption not just to capacity and capability, but to the working lives of others whose talents are valued, and 2) to strive to create a culture of honesty and openness in which the point of exit can be mutually identified before it’s too late.

The need for HR to ‘look over the fence’ to see clearly how the company is perceived matters more now than ever. Estimates show that over 50 percent of the global workforce will be made up of tech-savvy Millennials this year (2014) and without a doubt, these individuals are researching and discussing companies online as actively as these same companies are using the Internet to research, attract, and retain talent.

Since research indicates that Millennials want to work for purpose, not just a paycheck, organizations must be seen to have higher principles beyond generating bigger profits. Winning this “popularity contest”—and the hearts and loyalty of existing and future talent—is key to staying ahead of the game and also prevailing in the “race” for talent. With reputations laid bare online, the blunt truth is there for all to see—if you want to be liked, be likeable.
Implementing a worksite wellness program, a common goal for many organizations, is also commonly put on the backburner or shelved altogether because firms fear the costs of such a program. Willis’s 2014 Health & Productivity Survey confirmed that many organizations cite budget constraints as a primary barrier to implementing a wellness program, with almost 40% of respondents reporting that they don’t have any funds budgeted towards worksite wellness.

While adequate resources – both financial and personnel – are important components of successful programs, they are not the sole determinants. Based on Best Practice standards, we know that multiple variables determine success with worksite wellness programs. Strong and visible leadership backing for the program, a supportive environment, interesting and multiple communication channels and meaningful incentives are all critical elements as well. Willis Health Outcomes Consultants have witnessed many thriving wellness programs started with a grassroots effort, piecing together free resources as time allowed and, with persistence, growing into successful programs. Creative solutions to a low cost/no cost situation can include:

- **Work with What You Already Have:** Organizations often find that many of their own employees are knowledgeable and/or have a personal interest in health and wellness. Survey your employees to determine if you have peer leaders to help plan or deliver the program.

- **Create Compelling Communications:** Employees often find Human Resource notices, including wellness program promotions, dull. Communicating the program in a fun and compelling manner can have a great impact. Consider including a creative element as well as multiple avenues of delivery to keep things interesting to your audience. Get leadership involved with communication efforts to further drive participation.

- **Creative Incentives:** Motivating employees to participate in wellness activities doesn’t have to involve monetary incentives – recognition and special privileges can go a long way!

- **Build Partnerships:** Check into the feasibility of partnering with community resources, such as hospitals, colleges/universities, fitness centers, and healthy restaurants or grocers. Often partnerships can benefit both parties – those needing services and those seeking increased exposure.

- **Design a Healthy Work Environment:** Look around the physical work environment to identify areas to promote health. Stairwells and break rooms are a great place to start with posters and flyers to promote healthy activities.

To learn more about the array of Willis value-added wellness solutions and additional creative ideas for tackling worksite wellness challenges, contact your local Willis Client Advocate®.
LEGAL AND COMPLIANCE

IRS ANNOUNCES 2015 MILEAGE RATES

The Internal Revenue Service (IRS) recently announced the 2015 standard mileage rates for computing the deductible costs of operating an automobile for business, medical or moving expenses.

Beginning January 1, 2015, the standard mileage rates for travel are:
- 57.5¢ per mile for business miles
- 23¢ per mile for deductible medical and moving expenses

The mileage rate that applies to the deduction for charitable contributions is set by statute (§170(i) of the Internal Revenue Code) at 14¢ per mile.

CMS CREDITABLE PRESCRIPTION DRUG COVERAGE: FILING REMINDER

The Medicare Prescription Drug Improvement and Modernization Act of 2003 requires all plan sponsors – even those that did not provide retiree prescription drug benefits – to distribute notices to Part D-eligible individuals explaining the creditable coverage status of their prescription drug benefits. This notice tells recipients whether or not the plan’s prescription drug coverage is considered “creditable” as measured against Medicare’s Part D standard prescription drug benefit. Creditable status is important since a Part D-eligible individual will be assessed a Part D late enrollment fee if he or she initially waives enrollment in Medicare’s prescription drug benefit and later enrolls after a break in creditable coverage of 63 days or longer.

Additional Reporting Duty to CMS

A second and perhaps more easily overlooked disclosure requirement is that group health plan sponsors providing prescription drug coverage to Medicare Part D-eligible individuals must also report creditable status directly to CMS. Specifically, the group health plan must communicate whether its prescription drug coverage qualifies as creditable or non-creditable. The government needs this information in order to effectively coordinate Medicare Part D enrollment.

All plan sponsors providing prescription drug coverage are required to make this disclosure – even if they do not make coverage available to retirees. Reporting to CMS about the plan’s creditable status is due within 60 days after the first day of the new plan year. Calendar-year plans must submit the disclosure to CMS by March 1, 2015. Additional information about the CMS reporting duty is available on Willis Essentials.
The National Legal & Research Group (NLRG) was recently asked about the requirements for tax-free health savings account (HSA) distributions and if individuals seeking reimbursement must be covered by a high deductible health plan (HDHP).

**Discussion**

In order to make a tax-deductible contribution to an HSA, one must be an “eligible individual.” An eligible individual is one who, with respect to any month, is:

- Covered by a plan that qualifies as an HDHP
- Not covered at the same time by any other plan which is not an HDHP but which covers the same benefits as the HDHP
- Not claimed as a dependent on another person’s tax return (a spouse is not considered a tax dependent under either Internal Revenue Code (IRC) §§ 151 or 152, even though a taxpayer may claim an exemption for the spouse)
- Not enrolled (not just eligible, but actually enrolled) in Medicare Part A or B (eligible employees age 65 or over may contribute to an HSA, including the catch-up contribution, as long as they are not enrolled in Medicare)

However, neither the account holder, the spouse, nor tax dependents are subject to these requirements when it comes to HSA distributions – they do not need to be “eligible individuals” in order for their qualified medical expenses to be reimbursed on a tax-free basis by the account holder’s HSA. If the employee, spouse, or dependent is covered by a medical plan that is not an HDHP (e.g., spouse is covered by Medicare), distributions from the HSA may still be used to pay for his/her qualified medical expenses. Coverage under another plan may affect the ability to make a tax-deductible HSA contribution, but it has no impact on the reimbursement of expenses. The HSA may not reimburse expenses covered by the other plan (double-dipping is not permitted) but it may reimburse, for example, co-payments and deductibles not paid from another source.

Qualifying medical expenses are defined as:

- Amounts paid for medical care (per IRC § 213(d)) of the account owner, spouse, and/or tax dependent to the extent not compensated for by insurance or otherwise
- Health premiums for continuation coverage (such as COBRA) required under any federal law (note, this does not include state continuation coverage requirements that go beyond federal requirements; continuation coverage for churches, governmental institutions and small employers is not required by federal law, and continuation coverage for domestic partners (unless the domestic partner qualifies as a dependent) is not required by federal law)
- Health premiums while the individual is receiving unemployment compensation under any federal or state law
- HSA funds can be used to pay the contribution of a retiree (65 or older) to an employer's retiree health coverage (plan may be insured or self-funded)
- If retiree is 65 or older, HSA funds may be used for Medicare premiums, but not for Medigap coverage (if the retiree's premiums are paid from his or her Social Security check, the retiree can reimburse him or herself from the HSA; note that qualifying expenses do not include Medicare premiums for individuals younger than 65, such as Medicare premiums for coverage due to disability or end stage renal disease)
- Premiums for a “qualified long-term care contract” up to specified limits (qualified contracts must meet certain coverage requirements and are defined in IRC § 7702(b))
- Long-term care services

Note that only claims incurred after the HSA is established can be qualified medical expenses.

Generally, a qualified medical expense is an expenditure for medical care, as defined in IRC § 213(d), for the account holder and his or her spouse or tax dependents, to the extent that such amounts are not reimbursed by insurance or otherwise. Amounts for medicines or drugs (other than insulin) that are “paid with respect to taxable years beginning after December 31, 2010” are qualified medical expenses only if the medicines or drugs are “prescribed drugs,” regardless of whether they may legally be purchased without a prescription (this restriction only applies to over-the-counter (OTC) medicines and drugs and not to other OTC items, such as equipment, supplies and medical devices, including such items as crutches, bandages, blood sugar test kits and eyeglasses).

As noted above, an HSA may be used to pay for qualified medical expenses of an account holder's tax dependent. Under health care reform, IRC §§ 105 and 106 were amended to exclude medical care and medical reimbursement provided to an “adult child” from the gross income of an employee. An adult child is defined as an employee’s child who has not attained the age of 27 by the end of a tax year (December 31). When an individual is seeking reimbursement from an HSA, however, only the qualified medical expenses for a tax dependent can be reimbursed. A tax dependent is a qualifying child or a qualifying relative under IRC § 152. Thus, the health care reform law did not amend the tax code to include qualified medical reimbursements for an “adult child” from an HSA. As such, an employee may be able to have an “adult child” covered under an employer’s qualified HDHP; however, qualified medical expenses for that same adult child may not be necessarily reimbursable from that HSA, if the child does not also meet definition of a “qualifying child” or a “qualifying relative” under IRC § 152.

Note, if the “adult child” is covered under the qualified HDHP of the parent’s employer, this “child,” if he or she is neither the employee’s tax dependent nor covered under a non-HDHP, would be eligible to establish his or her own HSA from which qualified medical expenses could be reimbursed.

Additional information about HSAs and qualified medical expenses can be found in IRS Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans.
HOW TO PREPARE FOR 2015 HEALTH CARE REFORM CHALLENGES

TUESDAY, JANUARY 20, 2015 2 P.M. EASTERN

Presented by:
Jay Kirschbaum, Practice Leader
National Legal & Research Group
Human Capital Practice

For employers, 2014 was a year of change and anticipation. What will happen in 2015? What should employers be doing this year? We have finally come to the implementation of the employer portion of the shared responsibility rules under the Patient Protection and Affordable Care Act (PPACA) for this year, 2015. It’s not a deadline most employers were eagerly looking forward to, but there’s no getting around it now.

While most employers are reasonably well prepared, PPACA has caused quite a lot of disruption to plans and compliance activities. It also raised the specter of new and complex reporting and filing obligations.

Employers have ongoing demands – and now new requirements have been heaped on top of the historic requirements. This “how to” session will thoroughly review 2014 (and offer reminders for deadlines still to be met), as well as show you where your plans should be at this point in the year – with some built-in time to get back on pace if you’re feeling behind.

During this session participants will learn:

- New requirements for employers in 2015
- What you should be prepared for as you implement PPACA
- How to digest the new requirements for reporting and recordkeeping
- How to prepare for yet more changes on the horizon

To RSVP, click here.

NOTE: Advance RSVP is required to participate in this call. Registration ends 1 hour prior to the call start time.

HOW TO JUSTIFY WORKPLACE HEALTH AND WELLNESS PROGRAMS—THEIR VALUE ON INVESTMENT (VOI)

TUESDAY, TUESDAY, FEBRUARY 17, 2015 2:00 PM EASTERN

Presented by:
Ronald S. Leopold, MD, MPH Practice Leader
Health Outcomes
Human Capital Practice

The debate on the employer return on investment (ROI) for wellness programs is louder than ever. It’s time to end the clamor. Traditional medical-cost-based ROI methodologies have been challenged as overly optimistic, and sometimes flawed. What’s actually working and how do we know? What are employers actually getting for their money? What’s the real business value of a healthier working population?

The truth is, industry best practices are seeing medical cost trends actually bend by deploying smarter health and wellness programs.

Is there value beyond medical cost reduction? A healthier workforce drives improved workforce morale and lower employee turnover. Absenteeism and presenteeism costs are often tough to pinpoint, but some companies are measuring how better health improves day-to-day operations.

This presentation will focus on successfully making the case to senior management for investments in workplace health and wellness; and crafting a data-driven strategy for your workforce based on medical and pharmacy claims.

During this session participants will learn:

- The value of a healthier workforce leads to lower rates of absenteeism and presenteeism
- Healthier employees are more engaged in their jobs and are more loyal to their employers
- Businesses with healthier workers run better and have been proven to be more profitable
- Employers should employ risk stratification to develop strategies specific to their workforce

To RSVP, click here.

NOTE: Advance RSVP is required to participate in this call. Registration ends 1 hour prior to the call start time.
## KEY CONTACTS

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