

PACIFIC COUNSELOR™

SPRING 2025

Law Bulletin from TERAOKA & PARTNERS LLP



Hello Everyone,

We started the year with such optimism about this year's economic outlook, but obvious to most, there's been a big change due to the uncertainty in the market place and the "choppy waters" we are experiencing with severe downward stock market moves. As business attorneys, we have seen our different clients begin to reconsider their plans for this year, and start to proceed more cautiously.

When I started our business in San Francisco over 40 years ago, we were in recessionary times. Many businesses were shuttered, there was little or scant IPO activity, and unemployment was high. Uncertainty, fear and pessimism lingered. Yet, over time, for those businesses that survived, there were still many good financial years to come. Historically, we have weathered several major financial storms including the Dot Com bust, the 2008 financial crisis and Covid. Was there a common factor or trait among those businesses that survived?

My observation is that the companies that survived the downturns like we may be facing returned to and concentrated on the fundamentals or the basics of their respective businesses. They knew exactly how they made their money or profit, focused on the process and streamlined their operations to be as efficient as they could be while achieving the same quality output, whether in goods or services. Budgets usually tightened, cash on hand and cashflow became top priorities, and everyone working on the company team was asked to do more, and most notably, the team members were motivated and incentivized to work harder and ultimately thrived. Those that focused on the fundamentals of their businesses made it. This is what I have observed, and for some of you, I hope you find this message helpful as you plan for the rest of the year.

Here at Teraoka & Partners LLP, we continue to appreciate what we do best, serve our clients! Yet, we continue to enjoy the ride and all that it brings. We hope you enjoy some of the photos of the things we do. We invite you to visit our website at www.teraokalaw.com to learn more about us.

Best regards,

Steve Teraoka

Major Shift in Affirmative Action Compliance for Federal Contractors

On January 22, 2025, President Trump issued an Executive Order entitled “Ending Illegal Discrimination and Restoring Merit-Based Opportunity,” that revoked several previous executive orders.

One of the orders revoked, Executive Order 11246, originally issued by President Johnson in 1965, required that certain federal contractors and subcontractors establish affirmative action programs.

As a result of President Trump’s Executive Order, affirmative action is no longer required and the federal government will consider it to be illegal.

Under the new Executive Order, the Office of Federal Contract Compliance Programs (OFCCP), which is responsible for enforcing affirmative action, must immediately cease doing the following:

- Promoting “diversity.”
- Holding federal contractors and subcontractors responsible for taking “affirmative action.”
- Allowing or encouraging federal contractors and subcontractors to engage in workforce.

This Executive Order creates a significant shift. Affirmative action programs that were required for decades will be unauthorized and may in fact create legal liability. The OFCCP’s enforcement power has been gutted and contractors/subcontractors will now have to certify that they are not promoting unlawful Diversity Equity and Inclusion (“DEI”) in the contracts themselves.

The impact this Executive Order will have on those states or municipalities that require their own contractors and subcontractors to engage in affirmative action is unclear, although it now seems these laws are in conflict with this Executive Order.

Federal contractors should note: contractors’ responsibilities concerning **protected veterans** or **individuals with disabilities**, which are governed by statute, the Vietnam Era Veterans’ Readjustment Assistance Act and Section 503 of the Rehabilitation Act of 1973, respectively, are unaffected by this Executive Order. In other words, federal contractors must continue to comply with affirmative action requirements for these classes of employees.

Businesses with questions about the Executive Order or how it affects their policies, or any contractor with an open audit, should reach out to legal counsel for guidance.

Tariffs and Issues to Consider in Commercial Contract Negotiations

As the U.S. imposes tariffs on imports and competing tariffs are put in place on U.S. goods in the world market, businesses are faced with significant challenges navigating new commercial relationships.

While no one can predict the future, negotiating for flexibility to address changes is a strategic approach in this economic environment. As businesses consider new commercial agreements, the following are some of the issues and provisions that should be closely reviewed to try to address and minimize the impact of these economic changes.

- **Price changes** – Businesses should consider what conditions allow for price adjustments and at what frequency during the contract period. With tariffs in place, businesses may face increased costs for materials and the underlying economics of the business may require adjustments to pricing. Businesses will want to provide some clarity on permissible price changes and how to allocate the burden of increased costs.
- **Incoterms** - Many commercial contracts rely on Incoterms to set the terms for the sale of goods. Incoterms also define not only shipping and delivery terms but also who is responsible for tariffs and duties. Therefore, companies should understand the specific details and terms of the Incoterm selected for the commercial transaction.
- **Force Majeure** – Generally, force majeure provisions do not explicitly include the imposition of a tariff to excuse performance. However, given the proliferation of tariffs, parties may want to consider specifically drafted clauses to try to address risks that may arise with performance in the face of tariffs and other unanticipated, government imposed measures.
- **Changes to Sourcing** – As tariffs may affect the costs associated with long established sources of supply, businesses may want to

consider provisions that allow changes to sources of supply and the procedures to be followed in the event of a change to ensure ongoing quality and reliability.

The foregoing are just some of the potential issues that may be of concern during this time of volatility. Businesses should be proactive in considering these issues as they negotiate contracts to protect their economic interests. If you have any questions or concerns regarding your commercial contracts, new and existing, please contact us.

Proposition 65 Updates to Safe Harbor Warnings

The Office of Environmental Health Hazard Assessment (OEHHA) has announced updates to the safe harbor warnings to be used in compliance with Proposition 65. Businesses have three years (until January 1, 2028) to transition to these new warnings.

The most notable update is to the content required for short-form warnings. Short-form warnings under the new regulations now require the disclosure and identification of at least one chemical for each endpoint (cancer and reproductive harm).

NEW SHORT FORM WARNING for Consumer Products

⚠ WARNING: Cancer risk from exposure to [name of chemical]. See www.P65Warnings.ca.gov.

⚠ WARNING: Risk of reproductive harm from exposure to [name of chemical]. See www.P65Warnings.ca.gov.

⚠ WARNING: Risk of cancer from exposure to [name of chemical] and reproductive harm from exposure to [name of chemical]. See www.P65Warnings.ca.gov.

⚠ WARNING: Risk of cancer and reproductive harm from exposure to [name of chemical]. See www.P65Warnings.ca.gov.

There are additional options to use “CA WARNING” OR “CALIFORNIA WARNING” in place of the word “WARNING” as well as alternative wording for the warning itself. The regulations also allow for short-form warnings to be used for food products without a triangle symbol and with a food specific web address included (www.P65Warnings.ca.gov/food).

While there is a three year transition period for these changes, business should review these new requirements and assess how to implement the updated warnings as identification of a chemical will require some additional coordination going forward.

This is intended to provide you with general information. Please consult your legal or compliance professional for more detailed information regarding these changes.

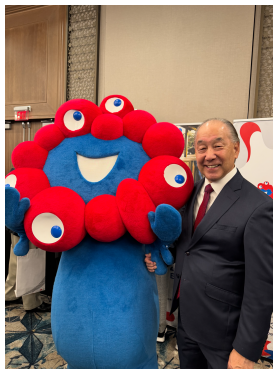
THE INFORMATION DESCRIBED ABOVE IS FOR GENERAL INFORMATIONAL PURPOSES ONLY AND SHOULD NOT BE CONSTRUED OR RELIED UPON AS LEGAL ADVICE OR LEGAL OPINION ON SPECIFIC FACTS OR CIRCUMSTANCES. EACH PERSON HAS PARTICULAR SITUATIONS, CIRCUMSTANCES AND ISSUES UNIQUE TO HIM OR HER. YOU SHOULD CONSULT WITH YOUR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

2025 U.S.-Japan Sister Cities summit

Teraoka & Partners LLP celebrates the California Japan Sisters City Network, Sister Cities International and all of the sister city organizations and citizen diplomats that will participate in the 2025 U.S.-Japan Sister Cities Summit (September 16-19, 2025) outside Osaka. Celebrating the 170th anniversary of diplomatic relations between the United States and Japan, this Summit, to be held in Izumisano (Sister City to Daly City, CA), will bring together 600+ bilateral stakeholders to inspire collaboration, explore new partnerships, and empower the next generation of global leaders, under the theme “Celebrating our Legacies, Empowering our Future.” <https://sistercities.org/sci-japan/>

Expo 2025 in Osaka

Steve with “Myaku-Myaku,” the mascot for the OSAKA EXPO 2025 which opened this month and runs for 6 months to October 13, 2025. The OSAKA EXPO aims to be a “People’s Living Lab” where people co-create a future society by showcasing and discussing innovations and solutions to global issues. The main themes include “Designing Future Society for Our Lives”, focusing on achieving the UN’s [Sustainable Development Goals](#) (SDGs) and Japan’s [Society 5.0](#) national strategy.



“Myaku-Myaku” is a character with a flowing, fluid design, symbolizing the event’s themes of connection and transformation. The design incorporates red “cells” and blue “water,” representing the continuous flow of life and knowledge. The name “Myaku-Myaku” is inspired by the Japanese word for “pulse,” suggesting the continuous passing down of human knowledge and culture.

If you are visiting Japan this year, you will not want to miss the OSAKA EXPO.

Photos



Our Firm celebrated the Holidays at the San Francisco City Club. Backdrop is a beautiful wall painting (priceless) by Diego Rivera.



Congratulations to MP Planning Corp. on expanding its portfolio to include Maboroshi Winery in Sonoma County.



T&P was a table sponsor at the Annual Japanese Chamber of Commerce of Nor Cal New Years Party at the San Francisco Westin St. Francis Hotel. Congratulations to guest, JACK SAKAZAKI, on winning the first place grand raffle prize: 2 ANA Rnd-Tp Air Tickets to Tokyo!

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