

In This Issue:

FEATURED ARTICLE

International Due Diligence More
Important Than Ever Before

Page 1

CLAS Receives OSCAR Nomination

Page 2

Searching In Colorado Just Got Easier

Page 2

Introducing CLAS Bulletin

Page 4

Now UCC It... Now You Don't

Page 4

Business License Crackdown Fills City
Coffers

Page 5

Welcome Arizona, Florida and
Pennsylvania

Page 6

Los Angeles County To Redact

Page 6

Meet Your CLAS Mate

Page 6

News From The States:

- California
- Delaware
- Nebraska
- Tennessee
- Washington
- West Virginia

Page 7

INTERNATIONAL DUE DILIGENCE, MORE IMPORTANT THAN EVER BEFORE

The global business environment and an all time low dollar against foreign currencies has created a foreign investment boom in the United States. This foreign investment has brought with it a reality that was previously not a concern. Who am I doing business with? A relatively unknown governmental group has been working in the shadows scrutinizing the bread crumbs left by the movement of money and analyzing where it comes from. This group is the Financial Action Task Force or FATF.

Why should you take note? Well, a vague set of guidelines has been issued that states all U.S. persons (including individuals and entities) are responsible for ensuring that they do not undertake a business dealing with an individual or entity on the Specially Designated National (SDN) list. Dealing with anyone that appears on this list can result in federal criminal charges with penalties ranging from \$50,000 to \$10,000,000 and up to 30 years imprisonment. In addition, civil penalties of up to \$1,075,000 per violation can be levied depending on the sanctions program violated.

Where did this all come from? The Financial Action Task Force (FATF) was created by the international community to implement measures designed to counter the use of the world financial system by criminals. FATF was established by the Paris G-7 Summit in 1989. Since its founding, it has evolved from 16 member countries to 34 member countries.

The Task Force examines money laundering techniques and trends, reviews the actions taken by nations and what other actions are necessary to combat money laundering. By April 1990, the FATF issued a report containing a set of forty recommendations, which were needed to fight money laundering. In 2001, with the attacks on the World Trade Center, global terrorism had become another major focus of FATF. Nine additional recommendations were created to prevent terrorist financing activities.

Most European and other FATF member countries had already adopted these recommendations by the end of the 1990's and received passing marks by the FATF ensuring that their financial systems and business activities were not being misused for money laundering and other criminal purposes.

However, this was not quite the case in the United States. The private sector was put under the proverbial microscope when the FATF increased its engagement with other governmental agencies to bring the private sector into the reach of FATF recommendations. The OFFICE OF FOREIGN ASSET CONTROL (OFAC), a division of the U.S. Treasury, was formed in the 1990's as a response by the U.S. to comply with FATF recommendations and began issuing regulations to support the FATF. These regulations went largely unnoticed in the U.S. by most companies, save the financial services industry and banks in particular, the economic sector upon which OFAC initially focused its attention. Beginning in October of 2004, however, partially in response to the U.S. receiving failing grades on its FATF review and partially in response to the more encompassing mandates of the U.S. Patriot Act in the

DILIGENCE: Continued Page 6

CLAS RECEIVES OSCAR™ NOMINATION FOR BEST SERVICE

Each week I am fortunate enough to read emails from clients who have found that at CLAS we still know and appreciate the concept of customer service. This week I was honored that we received our first "Oscar™" nomination. A client wrote to us about the experience that they recently had with one of our service representatives that read: "If they gave out Oscars for Star Performance - You'd be holding one right now".

CLAS was founded with the belief that our clients were to always feel as though they were special and significant. We continue to underscore this emphasis in each weekly meeting and new procedure we develop. As we revamp many of our processes we are out interviewing our clients to discover their most important concerns. We want to know how

"If they gave out Oscars™ for Star Performance - You'd be holding one right now".

we can deliver service in a way that meets the needs of those who still prefer to have a voice of reassurance on the other end of the phone as well those who want to deal as much as possible with technological solutions. We do find that even those who prefer technology appreciate knowing we are always a phone call or an email away and we want to provide the kind of support that only human interaction can provide.

We focus on quality and that begins with people. Our service representatives average in excess of ten years of experience. Our regular meetings are filled with ideas and insights that will benefit our clients in



Judith Kahler
President

CLAS
Wordwide
Information
Services

time, efficiency and cost-savings. We evaluate any issues that may have an impact on a client and constantly strive to improve our processes to improve your experience and make you the "Star" of your organization.

One of our long term clients recently said "when I place an order, I feel like the entire office drops everything and focuses only on taking care of me". We want each of our clients to feel that they are the only client at that moment.

Just ask for what you need and we will do our absolute best to make it happen.

Judy

CLAS INTRODUCES COLORADO UCC, A BETTER WAY TO SEARCH

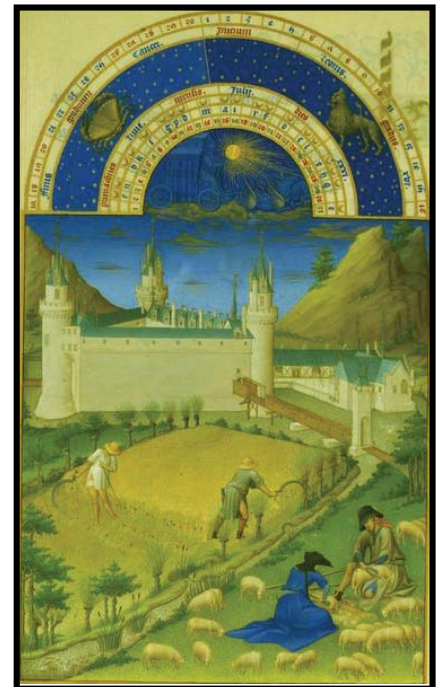
Colorado Uniform Commercial Code filing has had a tumultuous past, at best. The chain of events that created the filing system in use today goes back to 1996. Filing office responsibilities were transferred from the state to the Counties beginning in 1996 in an attempt to create a Central Index System. All UCC filings in the state were to be re-filed within an 18-month period or the creditor was no longer perfected. Subsequent law changes followed including passage of Revised Article 9, redaction of private data and policy changes. The rapid, conflicting changes that were occurring every few

years resulted in indices within the state that are wrought with information that is inaccurate and incomplete.

Online systems that contain UCC data either get their data directly from the state or a third party source. Data directly from the state is the best data available as it is a copy of what the state has within their system, that is unless the state is Colorado.

Imagine that you were carrying a large stack of unbound documents and suddenly dropped them. As the documents scatter across the floor, your mind quickly races with the plan to put the documents back into order. If the documents each contained a unique number you could start with the number and attempt to group documents by the number then possibly sort the documents by additional information within the document in an attempt to get them back together in some logical order. However, what if the stack consisted of two million documents and the numbers and names associated with them were not unique?

CLAS's Colorado online search system took two years to develop. The bulk of
COLORADO: Continued Page 3



Above: "Very Rich Hours of the duke of Berry, July" the Musée Condé, Chantilly France

the development time was used to research, investigate, untangle and correct the data the state provides to correct the genealogy of the document and show the actual filing chain.

During our investigation into the Colorado Uniform Commercial Code information we located the following issues:

- Duplicate file numbers issued for UCC-1's resulting in filing records being combined and displayed as one record, even though two separate records exist.
- UCC-3's posted against multiple UCC-1's even though the UCC-1 may not belong to that record.
- UCC-3's in the system where no UCC-1 exists, leaving nothing for the UCC-3 to attach.
- Inaccurate Termination Dates because filings that have effective dates greater than five years have been indexed incorrectly within the system.
- UCC-3 terminations and continuations attached to filings to which they do not belong because of the duplicate file numbers.
- UCC-3's in the system where the filing action has been recorded by the state as unknown.

We believe that we have the best online system for Colorado available. We thought that clients deserved more from their service company than simply publishing information that is inaccurate, incomplete and cannot be immediately relied upon.

Section §9517 of the Uniform Commercial Code provides that "An indexing error does not affect the effectiveness of the filed record." As a result even though the search that the state will provide you for a nominal fee is certified (and contains errors) a filing that was properly filed can still appear from nowhere. Our system provides an option for locating those filed documents that could result in financial hits without warning. A search on the CLAS Online UCC System, will give searchers a more complete history than is otherwise available from any other source. A diligent searcher can utilize our uncertified search product as a safety catch when compared with the state's certified search product to uncover the indexing issues located in the Colorado system so that they have an opportunity to obtain a complete search and prevent "surprises."

CLAS Worldwide Information Services is happy to provide clients with informational examples that were used in the preparation of this article and demonstrate filings that are misindexed, combined or contain bogus historical chains in addition to discussing the Federal Tax Lien pitfall that could put your filings at risk.

Contact CLAS Information services at 800.952.5696 if you would like additional information or to schedule training on Colorado UCC Searching and Filing Issues. •

Around the corner, or around the globe, documents are our business...

Whether you need to file a document at the Department of Corporations in the state of Delaware or the Companies House in England, for over 28 years legal professionals have trusted CLAS.

We provide the following services and more in the U.S. and abroad:

- Apostille
- Legalizations
- Good Standing Certificates
- Off-Shore Formations
- International Formations
- Registered Agent
- Independent Director
- Independent Manager

CL@S
WORLDWIDE INFORMATION
SERVICES
www.clasinfo.com
800.952.5696



INTRODUCING CLAS BULLETIN

Changes can literally occur overnight. As a result you may occasionally receive the "CLAS BULLETIN." *This short email of important changes is only sent when critical news must be immediately disseminated to our clients.* We dislike junk mail as much as you, and promise to keep "CLAS Bulletins" to a minimum and use them only when we have something critical report.

Know someone that would be interested in CLAS Bulletin or CLAS Notes? Send an email to edward@clasinfo.com to subscribe with the subject line "Subscribe"

Right: The Maroon Bells in the White River National Forest, Colorado. © 2007 Mike Norton, Used under License.



LOOK FOR US AT THE FOLLOWING EVENTS!

ERISA Seminar, August 7th, Los Angeles

Los Angeles Paralegal Association, October 18th, Omni Hotel, Los Angeles

"Going Global - Business Beyond our Borders" - International Conferences Sponsored by CLAS throughout the month of October 2008 in Los Angeles, San Diego and San Francisco

NOW UCC IT... NOW YOU DON'T!

*By: Edward Noyer
Originally appeared in the May 2008 issue of Los Angeles Paralegal Association Newsletter*

I thought that the enactment of revised article 9 would put an end to faulty debtor names and make the job of searching for UCC filings an easier task. As the revised commercial code established the standard search logic of a jurisdiction as the "litmus test" to ensure that

a filer got the name correct, I believed the issue of debtor names on financing statements had been settled once and for all.

Wrong! Since the adoption of the revised code and recent case law new issues are emerging. We will discuss some of these issues we can control and some we have absolutely no control over and how we can mitigate our clients' risk.

The International Association of Commercial Administrators, IACA, is a group whose membership is composed of Secretary of State officials responsible for indexing and administering UCC filings. At the IACA conference in May 2007 a discussion in the secured transaction section erupted over two issues that are at the core of determining if a debtor name meets the requirement for "not-seriously misleading." The first issue was how to index foreign text characters and the second issue was search logic.

Foreign text characters (accents, umlauts, etc.) are a concern with the filing offices. These foreign characters cannot be typed on a US Keyboard and as a result there is no agreement as to how these characters should be entered into the index. Although at first this may appear to be a minor issue, the indexing of the name has a direct effect on whether or not that name can be located when a search of the index is conducted. Examples of how this would affect the search can be demonstrated with the name E`LAN. Depending on the state's computer system, E`LAN



Continued Page 5



Business Licenses and Permits (Headache *Not* Included)

Trying to determine what forms, licenses and permits are required? Make one call to CLAS. We will quickly assemble a comprehensive package of Federal, State, County and Municipal forms to obtain all of the necessary licenses and permits.

In addition, CLAS can:

- Complete the forms
- Provide an estimate of fees
- Obtain the license and permit faster than you thought possible!
- Save you time and money



Experience, Knowledge, Trust

800.952.5696



NOW UCC IT: Continued From Page 4

may be indexed as ELAN or `ELAN or E`LAN. There is no consensus among the states as to how foreign characters should be indexed, and as a result up to three separate searches may be required to yield results when searched.

The second issue that was debated at IACA should cause concern for anyone who conducts UCC searches or performs UCC filings. The membership of IACA, State officials responsible for indexing, did not feel notice was required when changes were made to the search logic. As you know, search logic has a direct effect on whether a filing is considered "seriously misleading." If a filing is located by the state's standard search logic, that filing is not misleading and would perfect a security interest.

Would a change in search logic affect a filing previously performed? Absolutely! If a change is made to the search logic subsequent searches may not yield the same result as the search in your file. More damaging filings that were not located previously could suddenly prime your UCC! Another possibility is that the filing you made and verified as not "seriously misleading" is suddenly ineffective because it is no longer located by the state's search logic.

Courts have repeatedly found that, "Little more is asked of a secured creditor than to accurately record the debtor's name, and according to the statute failure to perform this action clearly dooms the perfected status of a security interest." In re Tyringham Holdings, Inc., 354 B.R. 363 VA (2006).

We as searchers and filers have no control over the search logic and changes to it without our notice. Another concern that anyone conducting UCC searches should have centers around Federal Tax Liens filed in the same index as UCCs.

Unlike a certified or official search that is bound by published rules at the state as to what will be located by the search logic, an uncertified search can give the searcher a "lay of the land" allowing them to at least be cognizant of what other filings are hiding behind the search logic. Although space in this

article does not permit a conversation as to the dangers of relying on a Certified Search to locate Federal Tax Liens, an uncertified search can help to ease this issue (refer to in Re: Spearing Tool 2005 WL 1430501 (6th Cir. 2005)).

What can you do to reduce potential loss, protect the firm and your client? Searchers can do a couple of things to help guard against these issues. Uncertified searches with broad search logic are your first defense in determining what other filings to consider when determining potential priority. Remember search logic can change and your only defense against fluid search logic is to adopt an "exact name standard." Finally, key all debtor names exactly as they appear on the organic documents on which you relied for the debtor name so that if a search logic change occurs at least your filing is indexed exactly as the name appears on the documents that formed the organization. •

BUSINESS LICENSES CRACKDOWN FILLS CITIES' COFFERS

As more and more cities and counties are faced with budget shortfalls, managers at cities and counties are looking for ways to bring in needed dollars. A way to bridge the gap between expenditures and revenues that one city has uncovered is to look at delinquent business licenses and permits.

The city of Santa Monica instituted a crackdown on businesses operating without the proper licenses and permits beginning November 2007. The city has been contacting 12,000 businesses who may not hold the proper licenses and/or permits. Businesses that are not properly licensed are required to pay licensing and hefty penalties. Permits and licenses are windfall for cities in a budget crunch. Santa Monica has collected \$598,000 in business licenses alone since beginning the program.

The ability to research unlicensed businesses is the result of a state law that gives cities the right to access Franchise

Continued Page 6

LOS ANGELES COUNTY TO REDACT

Tax Board data. State tax data is scrutinized in an effort to uncover businesses that pay taxes, then compared to licenses issued by the city to identify non-licensed entities. In Santa Monica they have found that some businesses had been in operation for years, but the City had no means of identifying their existence in the past.

The city has hailed the program as a huge success, estimating that they will generate an additional \$680,000 in new revenue over last year. As many as 11,000 businesses may still owe money for conducting business without the proper license and permit.

CLAS Worldwide Information Services offers Business License packages nationwide. Our products include Compliance Packages, Filing Services, Audit and Gap Analysis, License Verification and Renewal and Filing Services. Contact your service representative at 800.952.5696 for more information. •

ARIZONA, FLORIDA AND PENNSYLVANIA, WELCOME!

CLAS Worldwide Information Services is pleased to announce enhancements to the online UCC search system. Three new states, Arizona, Florida and Pennsylvania have been added to the UCC search system. With one search clients can conduct their lien search, print a lien report and lien copies. Additional benefits of using the online system are:

- Learn one search logic that is consistent for all online states.
- Ability to use wild cards allows users to conduct broad based searches to locate Federal Tax Liens contained in the UCC Index.
- Users have the ability to select which filings appear on the search report.
- Instant Online Copies! No Waiting for e-mail or offline search results.

Direct your browser to www.clasinfo.com to begin using these new online states. •

Pursuant to State Law AB 1168 the county board of supervisors has approved a resolution to implement the Social Security Number Truncation program.

The recorders office notified us that effective May 19th, they will begin to charge a \$1 additional fee for each recorded document.

Meet Your CLAS Mate



Jennifer Pierroz

UCC Filing Supervisor

Anyone as energetic as Jennifer cannot be stopped! Our gregarious Jennifer is a Senior Customer Service Representative serving both Corporate and UCC Clients and wears the hat of UCC Filing Department Supervisor. A longtime CLAS Mate, she has been with CLAS for 9 years. Jennifer has so much energy, a clients compliment about her sums it up! *"I've been very pleased with your service. I'm actually surprised that you have other clients, I thought I was the only one!"*

Last year when she moved 40 miles outside of Sacramento she never considered leaving CLAS, preferring to stay with us even though it meant a longer commute.

Jennifer lives in a small rural town on 15 acres with her husband of 5 years, Jeremy, her 3 year old daughter, Jade, and her 3 pets Brandy (dog) and two cats, Gumby & Pokey.

A original Southern Californian, she was born in Long Beach, her family moved to the Sacramento region when she was only two years old.

wake of the terrorist attacks of 9/11, OFAC commenced to broaden its focus to include most industries that deal with foreign entities in any "financial transaction," with a particular focus on financial and commercial intermediaries. As a result, OFAC regulations are just now starting to affect many more companies operating in the United States beyond the traditional financial services community.

What now has caused the heightened scrutiny on the non-financial sector of the United States? As noted above, as a founding member of FATF, and as the largest economic power among member countries, the U.S. was receiving failing grades for its slow progress in adopting FATF recommendations at a time when the rest of the member community had clearly taken more aggressive steps. Equally important is that as more U.S. business derive from foreign sources, there has been a noticeable increase in criminal financing activity identified specifically with U. S. business entities, including money laundering and terrorist financing. The FATF and OFAC and a plethora of other government agencies know that criminals can easily hide behind business organizations. Once a criminal is shielded behind a business organization they gain unfettered access to the world financial system, which in turn gives them the propriety and appearance of legitimacy that they seek.

Now more than ever you must carefully weigh the costs of non-compliance against the potentially heavy penalties and jail time that can result from doing business with the wrong person(s). Due diligence searches are one tool that can help firms to comply with OFAC and anti-money laundering regulations. Through your due diligence search you can uncover information to help ensure you are not conducting business with a Specially Designated National (a Federal offense) or with the wrong persons at large.

CLAS, in conjunction with our London office, can assist you in your due diligence to help you uncover just who you're actually doing business with and to prevent you from the potential harm of ensuing government sanctions! •

News From the States

California

The California Secretary of State is now requiring that all documents that are submitted for Apostille / Legalization reflect the Country in which they are to be used notated on the document. Clients should type "TO BE USED IN:" and then notate the country that the documents will be used in. Failure to indicate the country in which the documents are to be used can cause rejected documents.

California Secretary of State has automated the generation of Status Certificates. As a result you can no longer request a specific date on a certificate. With current 24 hour turnarounds we can continue to accommodate your requests for certificates with specific dates. However, any delays at the state could impact the date of the certificate, we therefore cannot guarantee the date on the certificate.

Delaware

House Bills 519 and 520 were passed June 30, 2008. These two pieces of legislation increase the franchise taxes for:

- Domestic Corporations
- Domestic & Foreign Limited Partnerships
- Limited Liability Companies
- General Partnerships

LP, LLC, GP taxes increased from \$200 to \$250

Domestic Corporations taxes increased as follows:

1-5,000 shares	\$75
5,001-10,000 shares	\$150
@ additional 10,000 shares	\$75

The fee for filing an annual report for a foreign corporation registered in the state has been increased from \$60 to \$100

This legislation is retroactive to January 1, 2008. Copies of the legislation are available online at <http://legis.delaware.gov/>.

Delaware is in the process of updating and assessing the taxes at the new rate, which will take several hours. If you are filing a document that requires a 2008 tax payment please contact our office at 800.952.5696 before filing a report or paying the taxes.

Nebraska

The effective date of LB851 has been changed from July 2008 to September 2009. This is the legislation in the state of Nebraska that would change 9-506(c) and define the correct name of an individual to the "debtor's last name." The implications of this change will be that as long as a UCC filing contains the correct last name of a debtor the financing statement will NOT be serious misleading (even if the first name is incorrect). Good luck when searching a common name like "Smith."

Hopefully Nebraska will cure this momentary lapse of judgement before this law takes effect.

Tennessee

Senate Bill 372, signed by the Governor, has redefined debtor name requirements for individuals in the state of Tennessee. Now only the drivers license or state-issued identification card can be relied upon to provide the name of a debtor. Previously a safe harbor for an individual was created if the financing statement provided a name shown on one of five different identification documents (drivers license, Social Security card, birth certificate, passport or military identification.)

UCC's filed since May 1, 2008 require immediate action to remain effective since SB 372 created a 60 day window for UCC financing statements to comply. If you have filed a UCC between May 1 and June 13, 2008 the name on the financing statement must match the name on the drivers license or state-issued identification document or risk the financing statement becoming "seriously misleading." The deadline to file an amendment is August 13, 2008.

Financing Statements filed before May 1, 2008, are not affected by this change in law and continue to be effective financing statements.

Financing Statements filed after June 13, 2008, must provide the name shown on the individuals drivers license or state-issued identification document or risk becoming "seriously misleading."

Washington

Effective June 12th, Washington state will add a surcharge of \$3 to each electronic filing and \$8 for each paper filing to fund the *Financial Fraud And Identity Theft Crimes Investigation And Prosecution Program*. This program will be run by the Department of Community, Trade and Economic Development.

West Virginia

Effective July 1, 2008, the corporation license tax is being repealed for "all taxable periods beginning on and after the first day of July 2008." Any taxes that were due before this date must still be paid.

The state is now requiring all Corporations, Non-Profit Corporations and Limited Partnerships of record as of April 30, 2008, to file an annual report by July 1st. Forms will be mailed to all business entities that are required to file by May 15th. Limited Liability Companies will continue to file their annual reports by April 1st of each year.

We welcome your comments, feedback or suggestions. Please contact edward@clasinfo.com for submissions, story ideas, or other comments.