



STATEMENTS

Fourth Quarter 2010



To Upgrade or Not? That is the Question.

by Howard Zangwill, Stockholder

If you run a company, you are probably used to your key executives or "IT Guy" recommending spending money on various projects. It seems like there is always an opportunity to install new technologies, upgrade, update or improve processes. It could be new hardware, new software, new accessories, a new phone system, even a new widget. It could be anything.

One can only defer these projects and put off these requests during an economic downturn for so long. However, before you begin spending on projects for your company, we have some key questions that should be asked to determine if a project is really worth doing and how it should be implemented. The next time your "IT Guy" or anyone else suggests purchasing new technology, find out the following:

- What is the business reason for doing it? Will it increase revenue? Reduce costs over the short or long term? Improve the company's competitive advantage in the marketplace? Improve employee morale?
- Who is the one person responsible for the success of the project? Does that person have the authority to see the project

through to its success? Many times the success of the project is dependent on other departments. Are those departments on board with the project?

- Define success for the implementation? What specific results will we see? Have a clear set of expectations.
- How much will it cost? Upfront? Ongoing (monthly, annual)? This cost should include out of pocket costs, training and internal employee costs including any potential downtime. Make sure the cost includes everything.
- Who is responsible for the cost? What happens if it goes over budget? What are the repercussions if the cost turns out to be more?
- How long has the product been on the market? Is this a new or old technology? If it is a software upgrade, how long has the upgrade been on the market and how many companies have upgraded?
- Are there at least three references for what is being recommended? If someone can not provide at least three references, the product or upgrade is likely suspect.

Use your resources wisely when selecting which new technologies to implement. Often training is taken for granted or the need for training is minimized. However, experience has proven that if you properly train your people to use the new technology, employees are significantly more motivated to use the technology successfully.

Feel free to contact your RINA representative about your alternatives.

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RINA'S NEW REMITTANCE ADDRESS

We love getting mail from our clients, especially when a check is enclosed. Cash receipts are now being processed in our Oakland office. Our remittance address has changed to: 475 - 14th Street, Suite 1200, Oakland, CA 94612.

Please update your accounts payable software to reflect this change. Thank you!

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Client Corner

“The King’s Jewelers” William McConnell and Son, Inc.

by Pamela Raumer, Business Development Director



Andy Raust, founder and great grandfather of David and Craig McConnell.

Andy Raust founded The King’s Jewelers, a family-owned and operated jewelry store, in Oakland in 1915. Shortly thereafter he hired Bill McConnell as an apprentice, and eventually Bill married Andy’s daughter Merle. Today The King’s Jewelers is located in downtown Walnut Creek and is managed by Andy Raust’s great grandchildren, David and Craig McConnell, who are committed to continuing his tradition of providing unsurpassed quality, value, personal service and integrity in the jewelry business.

Products and services The King’s Jewelers provide include:

- Diamonds
- Colored Gemstones
- Custom & Designer Jewelry
- Consignment Jewelry
- Jewelry & Watch Repair
- Appraisals
- Estate Liquidation
- Gold Buying

David and Craig are proud members of the American Gem Society (AGS) - only a small percentage of applicant’s are awarded membership. AGS membership guarantees that The King’s Jewelers follows ethical business practices, has a high level of gemological knowledge and training and is dedicated to consumer service and protection.

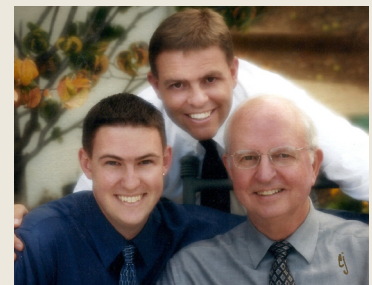
David has a graduate degree in Diamonds and Diamond Grading and is the President in charge of finance, marketing, buying and diamond grading. Craig McConnell is Vice President and responsible for sales and service, personnel and appraisal. He holds the industry’s highest professional credential - Gemological Institute of America Graduate Gemologist. Their sister, Cathy McConnell Wilent is the company’s Treasurer and their WMS collection designer. Visit the company’s website (www.the kings jewelers.com) to view some of her work.

Better yet, visit their store – the staff are friendly, the jewelry is extraordinary and parking is available on the street and in a garage nearby. If you are interested in a custom designed piece of jewelry, The King’s Jewelers offers a computer program in their store called Digital Goldsmith. Digital Goldsmith helps you see what the jewelry will look like before it is made.

When asked to share what they are most proud of, David and Craig replied “We are most proud of the business that our father, grandfather and great grandfather built and the privilege to carry on the integrity that they created. We will not compromise that.”

“One of the many things that we enjoy about working with RINA is the personal thought that we receive from each person that works there. This is exemplified by their decision to have Robin Brotman be our main contact at RINA. Her family has a background in the jewelry industry and she grew up with her parents in the same type of business as ours. With that added insight she is able to relate very well with us and the struggles and successes that are inherent in our business.”

*—David McConnell,
The King’s Jewelers*



Craig, Dave and Bill McConnell.



What’s it Worth?

*by Robert Kosbie,
Director Valuation and
Litigation Group*

As director of RINA’s Valuation and Litigation group, I can sum up our role in this niche in three simple words – “What’s it Worth.”

Although the specific procedures and methods we employ will vary significantly depending on the assignment (the “how” or mechanics), the end result that everyone wants is a fair

and defensible opinion of value. This requires refined professional judgment that is only developed over the course of a career. Our valuation and litigation consultants average 20 years of experience in public accounting and have earned advanced degrees and certifications qualifying them for these unique assignments.

All of our valuation consultants hold the ABV (accredited in business valuation) from the American Institute of Certified Public Accountants with two also holding the CVA (certified valuation analyst) from the National Association of Certified Valuation Analysts. Likewise, our primary

litigation consultants hold the CFF (certified in financial forensics) from the American Institute of Certified Public Accountants. We have one CFE (certified fraud examiner) from the Association of Certified Fraud Examiners with two staff currently undertaking this rigorous training.

Our ability to combine economic knowledge with the analytical instincts CPAs are known for together with the investigative skills developed as auditors allows us to answer the question – “What’s it Worth?” in a simple, understandable yet persuasive manner.



Estate Tax Planning - Current Rules & Possibilities

by Walt Tchirkine, Stockholder

As we progress further into 2010, retroactive reinstatement of the estate and generation skipping tax (GST) is growing dimmer. Furthermore, in 2011 the estate and generation skipping tax is reinstated to the harsher pre-2001 rules as stated below. Therefore, understanding the rules and planning possibilities during 2010 is essential.

The current rules for 2010 are:

- Estate and GST taxes are repealed.
- The gift tax exemption is \$1 million.
- The annual exclusion is \$13,000 per donee.
- The highest marginal gift tax rate is 35%.
- The increase in basis is limited to \$1.3 million per decedent, plus a \$3 million marital increase for most transfers to spouses from decedents.

The rules for 2011 are slated to be:

- The estate and gift tax exemption will be \$1 million.
- The annual exclusion of \$13,000 per donee will be adjusted for inflation.
- The GST exemption will approximate \$1.3 million since it will be adjusted for inflation occurring since 2001.
- The highest marginal estate and gift tax rate will be 55%, plus a 5% surcharge on estates valued at more than \$10 million.
- Similar to the rules that existed before 2010, the income tax basis of most assets will be equal to fair market value (FMV) at death.

Modified Carryover Basis for 2010:

The general rule is the basis of property acquired from a decedent in 2010 is the lesser of the adjusted basis of the decedent's property or the FMV of the property at the date of the decedent's death. Property can be adjusted down at date of death without any restriction but can only be adjusted up to the extent of the limitations mentioned above. The decedent's \$1.3 million adjustment is increased by the sum of any (1) unused capital loss carryovers and (2) unused net operating loss carryovers. The \$1.3 million adjustment and the unused loss carryovers can be allocated on an asset-by-asset basis by the executor, but only to the extent of the decedent's eligible built-in-gain assets. As a practical matter, this provision allows the basis adjustment rules to continue to apply to decedents' estates with total built-in gain of \$1.3 million or less.

To benefit from the spousal basis increase, the asset must have been acquired from the decedent. The surviving spouse can acquire the decedents' assets outright or through a trust, provided the trust is a marital "QTIP" trust. In addition, for purposes of the modified carryover basis regime, in community property states the surviving spouse's one-half interest in community property is deemed to have been acquired from the deceased spouse. This means that if the decedent's one half of community assets was valued at \$3 million with no basis and the spouse's one half of the community was also valued at \$3 million with no basis, the executor should be able to take advantage of both the \$1.3 million basis increase and the spousal basis increase of \$3 million, regardless of who received the decedent's share of the community property.

Planning Considerations:

- Review asset allocation formula clauses within existing governing documents to determine if the absence of estate and GST taxes in 2010 adversely alters who receives assets at death.
- Consider the impact of selling assets before death to lock in available losses to allocate as additional basis to other built-in gain assets. Caveat - some practitioners believe that because the law for 2011 reverts to the law that was in effect prior to 2001 "as if the laws for 2001 - 2010 never existed", the basis adjustment rules for assets sold in 2011 are not entirely settled.
- Make gifts to children or grandchildren in 2010 when there is no GST tax and gift tax rates are low. The non-tax considerations of making such outright gifts must of course be considered. Clients who are generally disposed to making generation skipping transfers should consider making them in 2010, but with formula documents that provide protection should there be a retroactive reimposition of the GST tax.
- Continue or begin to implement estate planning strategies to reduce exposure to estate and GST taxes due to lower estate and GST exemptions.

As always, please call your RINA representative for more information regarding estate planning ideas, opportunities and consequences.



Tax Savings for Exporters

by Tom Neff, Stockholder

Over the years Congress has repealed, under pressure from the World Trade Organization, many trade incentives that have been available to U.S. businesses. However, one powerful tax-savings vehicle remains - the Interest Charge Domestic International Sales Corporation, or "IC-DISC". While the IC-DISC has been in place since 1984, it was not until passage of the Jobs and Growth Tax Relief Reconciliation Act of 2004 ("JGTRRA") that its use could provide significant tax savings. Under this Act, dividends paid by an IC-DISC qualify for the favorable 15% tax rate on dividend income. How does an IC-DISC work? Generally, a business that manufactures goods in the U.S. for export will set up a U.S. corporation (the IC-DISC) here in the U.S. A tax-deductible commission, based upon the amount of income from sales of exported goods, will be paid to the IC-DISC. The IC-DISC is a tax-exempt entity; therefore no tax is assessed to the IC-DISC on the commission income received. In turn, the U.S. business has received a corresponding tax deduction for this payment. The IC-DISC can make dividend payments to the owners, who currently will be taxed at a maximum 15% rate on the amount of dividends received.

It's important to note that it is not necessary for the U.S. business to be the exporter of the goods. A situation in which the business sells the goods to a distributor/wholesaler for export will also qualify.

Please contact your RINA tax professional if you would like a further explanation of this tax savings strategy.

RINA Fourth Quarter

OCTOBER

October 15

- Final due date for 2009 tax returns for individuals who filed an automatic six-month extension

NOVEMBER

November 1

- Third quarter 2010 payroll and sales tax returns due

DECEMBER

December 31

- Final due date for calendar establishing qualified retirement plans for 2010 calendar-year taxpayers

JANUARY

January 15

- Fourth quarter 2010 estimated income tax payments for individuals due

January 31

- Fourth quarter 2010 payroll and sales tax returns due

CORRECTION

The first bullet point in our Notable Tax Law Changes of 2010 article (Statements Third Quarter 2010) contained an error. The bullet point should have read:

- In 2010, small employers (fewer than 25 employees and average wages of less than \$50,000) may be eligible for a health insurance credit.

Please call your RINA contact if you would like more information about this provision of the new tax law.



accountancy corporation

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RINA Gives Back

by Pamela Raumer, Business Development Director

Mike Gilligan, the Principal heading up RINA's Roseville office, has been volunteering for The First Tee of Greater Sacramento (The First Tee) since 2001. He joined the Board in 2003, has chaired the Finance Committee and served on the Executive Committee as Treasurer. Since The First Tee does not currently have an Executive Director, the Executive Committee is responsible for: HR, fundraising, finance & budget and management of the William Land Golf Course. Currently Mike is serving a two year term as Chairman of the Board.

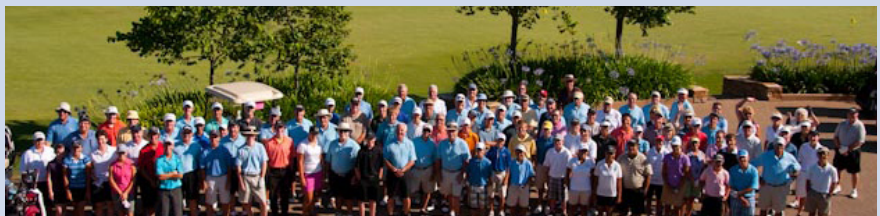
The First Tee's mission is to use the game of golf to improve the lives of young people (ages 5 through 17) in the greater Sacramento area by strengthening character and teaching life enhancing core values. The First Tee nine core values are: Courtesy, Perseverance, Responsibility, Respect, Honesty, Confidence, Integrity, Sportsmanship and Judgment. The First Tee's Life Skills Experience (an educational curriculum) teaches kids life skills such as managing emotions, setting goals, resolving conflicts, appreciating diversity, communicating with peers and gaining confidence to do well academically. Results from a recent research study confirmed that kids who participate in the Life Skills Experience learn and exhibit these life skills and core values not only on the golf course, but also in school, at home and in other settings. "Our message for these kids is that learning life skills is more important than learning golf," says Mike.

The First Tee provides the following opportunities for kids:

- College Scholarships (just awarded \$14,000)
- Private & Specialized Instruction
- Coach & Assistant Coach Training
- Golf Camp & Golf Tournaments
- Discounted Rates at participating Northern California Golf Courses
- The First Tee Life Skills & Leadership Academy
- Scholars Program – offering participants to receive recognition for special achievement in academics, leadership skills, character development, and chapter and community involvement.
- Earning Community Service Points required by most Sacramento area schools. The First Tee is involved with two golf programs for the disabled - California Eagles "Special Olympics" and "Swing for the Blind".
- If parents aren't able to pay the discounted fee for the program, The First Tee will subsidize the child's participation.



Mike Gilligan, Board Chair, on the right accepting a donation from the Serrano Seniors.



50 First Tee Junior Tour players paired with 50 Serrano CC senior players.

When asked to share his favorite part of his involvement with The First Tee, Mike replied "it is the satisfaction of observing the transformation that takes place from a shy, lost, unengaged child to a confident, courteous, goal-oriented person ready to take on life. In addition, as Board Chair, I sometimes get invited to play some golf with the kids". Mike and his wife Tina, enjoy playing golf a couple times a week at Granite Bay Golf Club. Mike's current USGA index is 11.7.

The First Tee depends entirely on public funding. If you would like to support The First Tee, visit their website at www.tftgs.org or call 916-455-7888.