

OWENS DAVIES

ATTORNEYS AT LAW

A Legacy of Wisdom Shared

Owens Davies Fristoe Taylor & Schultz, P.S.

1115 West Bay Drive, Suite 302 • Olympia, Washington 98502

Phone 360.943.8320 • Facsimile 360.943.6150 • www.owensdavies.com

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Cut Your Capital Gains with Smart Investments

Opportunity for Reduced Tax on Capital Gains Encourages Investment in Small Business

Opportunities exist to reduce or avoid capital gains taxation on the sale of qualifying small business stock, including stock you already own.

To qualify...

- The stock must be held five years
- The stock must be in a C corporation conducting an active trade or business
- Gross company assets had to be less than \$50,000,000 when the stock was issued
- The stock must have been originally issued to you

For a start-up company, or one looking to expand, this benefit is a great way to attract investors. On the flip side there are tremendous advantages for those considering investing in a company.

Save 50-100% on Capital Gains

The amount of the capital gain exclusion is based on when you purchase/ purchased the stock. The basic exclusion amount is 50% and applies to stock purchased before February 17, 2009 or after December 31, 2010. The amount is 75% if you acquired the stock between February 18, 2009 and September 26, 2010. It's up to 100% if you acquired the stock between September 27, 2010 and January 1, 2011.

Selling Your Stock and Investing in Another Company

You may also sell the stock and roll the proceeds over into another qualified small business within 60 days of the sale. The amount of capital gain you would recognize would be limited to the amount you realized on the sale less the cost of the replacement stock. You get to defer recognition of the remainder of your capital gain.

Proper planning and execution can significantly reduce capital gains tax. If you are considering selling stock or investing in a small business, give us a call first and make the most from your investment.

For more information on taxation of small business stock, contact Kirk Veis at kveis@owensdavies.com



Family Business Primed Phillips' for Legal Pursuits



Richard Phillips

The entrepreneurial spirit runs strong in Richard "Mick" Phillips, Jr. and his family.

For five generations, starting with his great-grandfather, his family has been involved in the commercial construction industry in Olympia. Today, all five of his siblings are involved in running small businesses, mostly here in Thurston County.

It's not surprising then that Mick's legal areas of expertise include corporate law, business law and real estate. And his longevity in the area adds to his effectiveness. "He seems to know everyone and always knows who to call to get information or solve a problem," shares colleague Kirk Veis.

Before Owens Davies

Mick was born and raised in Olympia and graduated from Olympia High School in 1966. Heading south to a warmer climate, Mick attended the University of Santa Clara in California before entering Willamette University College of Law in Salem, Oregon. In 1973 he graduated with his Juris Doctorate.

He returned to Olympia and served as a law clerk for Washington State Supreme Court Chief Justice Frank Hale in 1974. Mick is one of three Owens Davies attorneys to hold the

distinction of clerking for a Washington Supreme Court Justice.

In 1975 Mick formed McPhee, Pope & Phillips with fellow attorney's Tom McPhee and Bill Pope. He later started his own firm.

Three Decades with Owens

In 1985 Mick merged as a partner with Owens Weaver Davies Mackie Lyman & Phillips, an earlier rendition of Owens Davies.

In addition to business and real estate law, zoning, planning and land use law comprise a sizeable portion of Mick's legal portfolio. Particularly in the field of land use, there have been dramatic changes since Mick began practicing law.

His professional career has included guiding clients through the implementation of SEPA, the Growth Management Act, the Shorelines Management Act, the Endangered Species Act and many other significant environmental laws.

What frustrates many is what Mick likes most about his practice -- the challenges and variety. "Problem solving and helping people...what isn't good about that?," quips Mick who is known for finding ways around what would be roadblocks to others.

Outside of the Office

Mick likes to stay physically active. Over the years he has mountain biked, snow boarded

Local Shoreline Management Updates Could Affect You and Your Property

Property owners on or near water, including those who intend to remodel, should pay careful attention to the changing regulatory environment.

It's been more than 20 years since the adoption of the Thurston Shoreline Master Program -- a combined planning and regulatory document with policies, goals and land-use regulations for shorelines throughout the county.

Thurston County and the cities of Olympia, Lacey, Tumwater, Yelm, Tenino and Bucoda are all in the process of reviewing and updating their Shoreline Management plans. This is required by state law.

The updates will impact setbacks, height restrictions, landscaping and vegetation for areas abutting Puget Sound, lakes, rivers, streams and floodplains.

Although each jurisdiction will work at its own pace, all updates are due to the Department of Ecology for review and adoption by December 31, 2011.

City of Olympia's Shoreline Update

The City of Olympia has already held various meetings and public hearings on its Shoreline Master Plan update. Some items of note include:

- Increased setback for shoreline properties. This may make many homes and structures nonconforming, creating

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DID YOU KNOW?

Estate Tax Increase Gets Temporary Reprieve

Make Changes Today to Pass On More of Your Money

We closed out last year with some good news related to federal estate taxes, gift taxes and generation-skipping taxes (GST). The planned increases in rates and lowering of exempt amounts to 2001 levels were suspended.

The bad news however is the rates are only good through December 31, 2012.

The changes were the result of the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 signed by President Obama in December.

Increased Lifetime Gifting Opportunity

The Act creates significant lifetime gifting opportunities during 2011 and 2012. Up to \$5 million in assets (totaled over a lifetime) may be transferred during the next two years free of federal gift tax.

Key Features: \$5 million and 35%

Other key features of the federal Act applicable for the next two years include:

- Estate, gift and GST tax rates at a maximum of 35%
- An estate tax exemption of \$5 million per decedent
- A GST gift tax exemption of \$5 million per transferor
- "Portability," allowing a surviving spouse to use the unused exclusion of a deceased spouse in addition to the surviving spouse's own exclusion
- Replacement of the state death tax deduction with a credit

For estates where the person died in 2010 the Act allows either the 2010 rules or the new provisions to be used.

The hope is always that estate planning will become simpler. Unfortunately

this was not the case. It remains as important as ever for plans to be reviewed frequently (every couple of years) and implemented carefully to allow the greatest portion of your assets to be shared with those you love and care for.



For more information on estate planning, contact Brent Dille at bdille@owensdavies.com

Breadth of Experience Paves Path to Owens Davies

Matt Kernutt recently joined Owens Davies after serving the State of Washington as an assistant attorney general for the last six years.

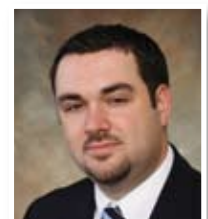
Kernutt received his BA from Seattle Pacific University in 1999 and his Juris Doctorate in 2004 from the University of Washington School of Law.

For the State, Kernutt represented the Dept. of Social and Health Services, the Dept. of Fish and

Wildlife (WDFW) and State Parks. He was the lead counsel for WDFW and Parks' Real Estate and Lands Divisions, as well as for Public Records Act issues. Kernutt was recognized by Attorney General McKenna as an office expert in public records, a skill that will well serve Owens Davies' clients.

Kernutt is a sports fanatic with a particular affinity for the Huskies,

Seahawks and Mariners. He plays softball and basketball, and coaches his five-year-old son Brady's soccer team. He and his wife Tamara also have a two-year-old daughter Audrey.



*Matt Kernutt
mkernutt@owensdavies.com*

Our Areas of Expertise

Real Estate –
Transactions & Development

Real Estate Disputes

Business Transactions,
Corporate & Taxation

Municipal Law

Estate Planning & Probate

Personal Injury & Wrongful Death

Appeals

Employment Law

Litigation & Business Disputes

Environmental Remediation

Land Use & Environmental Law

Insurance Coverage

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Supporting Health Services for the Needy

Health care for those in need recently received a \$306,000 boost. This thanks to the 2010 Christmas Forest, a Providence St. Peter Foundation event.

Owens Davies has been a Christmas Forest tree sponsor for 23 years.

This year's tree (tree top shown on left) was 8' tall and featured a tree abuzz in whimsical elegance. Hand-painted metal bee bell ornaments pollinated shimmering boughs and built hives and honeycombs. The firm also sponsored Sunday's Family Day & Public Viewing.

Mick Phillips serves on the Providence St. Peter Foundation board of directors.

Richard Phillips (continued from page 2)

and completed two marathons. Currently he's enjoying downhill skiing, hiking and playing squash. Unknown to many, he and his wife restore microcars including their current project, a 1957 Isetta.

Since 2006 Mick has served on the Providence St. Peter Hospital Foundation board of directors. He also previously served on the boards of the Community Foundation of South Puget Sound and the Washington Center for the Performing Arts.



Shorline Management (continued from page 2)

significant difficulties in altering or remodeling the property.

- Replacing an existing bulkhead may now require a conditional use permit. Existing bulkheads will be allowed to be repaired or maintained, but property owners will be encouraged to replace bulkheads with more natural measures.

- New vegetation conservation standards will require the entire area of the vegetation conservation area (either 20 feet or 50 feet, depending upon the environmental designation) to be planted.

Because the shoreline jurisdiction extends 200 feet, it impacts height, density, vegetation, landscaping

and land uses, as well as docks, floats and piers. Proposed regulations may have a variety of impacts on how you use your property.

For more information on environmental legal issues, or the Shoreline Master Program specifically, contact Richard "Mick" Phillips at rphillips@owensdavies.com