

We wish a Happy New Year to our valued clients and newsletter subscribers.

US Tax Legislation: Payroll Tax Cut Extension in Effect



On December 23, 2011 the US Congress passed, and President Obama signed, a payroll tax cut extension, keeping employees' social security payroll tax at 4.2% instead of 6.2% for an additional 60 days. It is a short term solution and employers need to ensure that the proper payroll tax allocations are made while remaining cognizant that payroll adjustments may need to be made at the end of the 60 day period.

Immigration Law: I-9 Employer Compliance



I-9 immigration compliance raids have more than doubled in the last two years. The raids, conducted by Immigration and Customs Enforcement (ICE), used to focus on deporting illegal workers but now target

employers as well as employees - the former facing criminal prosecution and substantial fines, the latter facing deportation. The increase in raids will continue in 2012, making it of paramount importance for employers to ensure they are following best practices in their hiring procedures.

The most interesting aspect of the increase in raids is that employer size does not matter. If you have a business, you need to have an I-9 audit to ensure proper documentation or face possible criminal penalties. Start-up businesses are particularly vulnerable to I-9 compliance matters since many of them use immigrants of varying legal and visa status to assist with their early business operations. Also, Start-up businesses often blur the lines between who is an employee and who is an independent consultant, and a mere independent consulting agreement between the Start-up and the immigrant may not be sufficient.

Learning of and implementing best practices, and training your human resources and executive personnel in I-9 best practices is the best way to protect your business from federal criminal culpability. Best practices include knowing how to identify and verify proper and non-fraudulent documentation, correctly filling out the I-9 form, successfully navigating the E-Verify system, and using proper record keeping and disposal techniques.

Keep in mind that immigration audits can go beyond I-9 compliance. You should also be

concerned with employees on temporary work or student visas as well.

Investment Banking: Account Vanishing Acts



The sudden revelation that MF Global lost \$1.2 billion in customer accounts is quite unsettling but it is more unsettling that the customers who lost their money will likely never be made whole. The funds disappeared after MF Global realized a \$6 billion loss and bankruptcy after betting on European sovereign debt. The supposedly segregated customer accounts vanished in the wake of the Euro bet implosion and neither company insiders nor regulators outside of the company know what happened to the money.

The MF Global story, combined with more than 400 US bank failures since 2008, underscores the riskiness of banking and investing in a financial era punctuated by the repeal of key provisions of the Glass-Steagall Act. The Act, repealed in 1999, once barred the merger of investment and commercial banks and substantially regulated risky behavior.

Offshore asset protection strategies tailored to avoid the pitfalls of US and European economic decline, debt monetization, national austerity measures, and bailouts at

taxpayer expense continue to surge in popularity among those who demand safety for and a positive return on their financial resources.

International Law: Carbon Tax for Airlines Flying To & From the EU



The European Court of Justice has ruled that the EU's Emissions Trading Scheme (ETS) is legal. The law requires all airlines to pay to offset carbon emissions for flights in and out of Europe, beginning January 1, 2012.

Challenges to the law stated that it violates principles of customary international law and the open skies agreement between the EU and the US, as well as other international agreements such as the Chicago Convention. Dismissal of the suit was correctly forecast by Sand Dollar Group researchers who felt the court would not be persuaded by international law arguments. Additionally, the rising public policy and economic interest in carbon tax and trading schemes globally has a solid political foundation and is a trend that will gather substantial momentum in 2012, particularly as investment banks and other financial institutions develop ways to package and exploit a new emerging market.

National Spotlight: Ukraine

PROFILE

Geography

Area: 233,000 sq. mi., the largest country wholly in Europe.

Cities: *Capital*--Kyiv (also transliterated as Kiev, pop. 2.8 million). *Other cities*--Kharkiv, Dnipropetrovsk, Donetsk, Odesa, Lviv.

Terrain: A vast plain mostly bounded by the Carpathian mountains in the southwest and by the Black Sea and the Sea of Azov in the South.

Climate: Continental temperate, except in southern Crimea, which has a sub-tropical climate.

People

Population (est.): 45.8 million.

Nationality: *Noun*--Ukrainian(s); *adjective*--Ukrainian.

Ethnic groups: Ukrainians, Russians, Belarusians, Moldovans, Bulgarians, Hungarians, Romanians, Jews, Poles, Crimean Tatars, and other groups.

Religions: Ukrainian Orthodoxy, Ukrainian Greek Catholicism, Judaism, Roman Catholicism, Islam, others.

Languages: Ukrainian (official), Russian, others.

Education: *Literacy*--99.4%.

Health: *Infant mortality rate*--8.73/1,000; *life expectancy*--62.56 yrs. males, 74.74 yrs. females.

Work force: 20.2 million. *Industry*--18.5%; *agriculture*--15.8%; *services*--65.7%.

Government

Type: Presidential-parliamentary.

Independence: August 24, 1991.

Constitution: First post-Soviet constitution adopted June 28, 1996.

Branches: *Executive*--president, prime minister, cabinet. *Legislative*--450-member unicameral parliament, the Supreme Rada (members elected to 5-year terms from party lists by proportional vote). *Judicial*--Supreme Court, Courts of Appeal, local courts, and Constitutional Court.

Political parties: Wide range of active political parties and blocs, from leftist to center and center-right to ultra-nationalist.

Suffrage: Universal at 18.

Administrative subdivisions: 24 provinces (oblasts), Crimean autonomous republic, and two cities with special status--Kyiv and Sevastopol.

Economy

Purchasing power parity GDP (2010 est.): \$303.8 billion.

Nominal GDP (2010 est.): \$137.3 billion.

Annual growth rate (2010 est.): 4.2%.

PPP per capita GDP (2010 est.): \$6,700.

Nominal per capita GDP (2010 est.): \$3,005.

Natural resources: Vast fertile lands, coal, iron ore, various large mineral deposits, timber.

Agriculture: *Products*--Grain, sugar beets, sunflower seeds, vegetables/legumes, beef, and milk.

Industry: *Types*--Coal, electric power, ferrous and nonferrous metals, machinery and transport equipment, chemicals, and food processing.

Trade (2009): *Exports of goods and*

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services--\$52.12 billion: ferrous and nonferrous metals, fuel and petroleum products, chemicals, machinery and transport equipment, and food products.

Imports--\$60.52 billion: energy, machinery and equipment, and chemicals.

PEOPLE

The population of Ukraine is about 45.8 million. Ethnic Ukrainians make up approximately 78% of the total; ethnic Russians number about 17%, ethnic Belarusians number about 0.6%. The industrial regions in the east and southeast are the most heavily populated, and the population is about 68% urban. Ukrainian and Russian are the principal languages. Although Russian is very widely spoken, in the 2001 census (the latest official figures) 85.2% of the ethnic Ukrainian population identified Ukrainian as their native language. There are also small Tatar and Hellenic minorities centered mainly in Crimea. The dominant religions are the Ukrainian Orthodox Church and the Ukrainian Greek Catholic Church (which practices Orthodox rites but recognizes the Roman Catholic Pope as head of the Church). The Ukrainian Orthodox Church is divided between a Moscow Patriarchate and a separate Kyiv Patriarchate, which was established after Ukrainian independence and which declared independence from Moscow. In addition to these, there are also the Ukrainian Autocephalous Orthodox Church and representatives of the Russian Orthodox Church Abroad.

About 70% of adult Ukrainians have a

secondary or higher education. Ukraine has about 150 colleges and universities, of which the most important are in Kyiv, Lviv, and Kharkiv. There are about 70,000 scholars in 80 research institutes.

HISTORY

The first identifiable groups to populate what is now Ukraine were Cimmerians, Scythians, Sarmatians, and Goths, among other nomadic peoples who arrived throughout the first millennium B.C. These peoples were well known to colonists and traders in the ancient world, including Greeks and Romans, who established trading outposts that eventually became city-states. Slavic tribes occupied central and eastern Ukraine in the sixth century A.D. and played an important role in the establishment of Kyiv. Kievan Rus Prince Volodymyr converted the Kievan nobility and most of the population to Christianity in 988. Situated on lucrative trade routes, Kyiv quickly prospered as the center of the powerful state of Kievan Rus. In the 11th century, Kievan Rus was the largest state in Europe. Conflict among the feudal lords led to decline in the 12th century. Mongol raiders razed Kyiv in the 13th century.

Most of the territory of what is modern Ukraine was annexed by Poland and Lithuania in the 14th century, but during that time, Ukrainians began to conceive of themselves as a distinct people, a feeling that survived subsequent partitioning by greater powers over the next centuries. Ukrainian peasants who fled the Polish effort to force them into servitude came to

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be known as Cossacks and earned a reputation for their fierce martial spirit and love of freedom. When Poland was partitioned in the late 18th century, much of modern-day Ukraine was integrated into the Russian Empire.

The 19th century found the region largely agricultural, with a few cities and centers of trade and learning. The region was under the control of the Austro-Hungarian Empire in the extreme west and the Russian Empire elsewhere. Ukrainian writers and intellectuals were inspired by the nationalistic spirit stirring other European peoples existing under other imperial governments and were determined to revive Ukrainian linguistic and cultural traditions. Taras Shevchenko (1814-1861), national hero of Ukraine, presented the intellectual maturity of the Ukrainian language and culture through his work as a poet and artist. The Russian Government, however, imposed strict limits on attempts to elevate Ukrainian culture, even banning the use and study of the Ukrainian language.

When World War I and the Russian revolution shattered the Habsburg and Russian empires, Ukrainians declared independent statehood. In 1917 the Central Rada proclaimed Ukrainian autonomy and in 1918, following the Bolshevik seizure of power in Petrograd, the Ukrainian National Republic declared independence under President Mykhaylo Hrushevsky. After 3 years of conflict and civil war, however, the western part of Ukrainian territory was incorporated into Poland, while the larger,

central and eastern regions were incorporated into the Soviet Union. The Ukrainian Soviet Socialist Republic was officially created in 1922.

Ukrainian culture and education flourished during the twenties, but with Stalin's rise to power and the campaign of forced collectivization beginning in 1929, the Soviet leadership imposed a campaign of terror that ravaged the intellectual class. The Soviet Government under Stalin also created an artificial famine (called "Holodomor" in Ukrainian) as part of his forced collectivization policies, which killed millions of previously independent peasants and others throughout the country. Estimates of deaths in Ukraine from the 1932-33 Holodomor alone range from 3 million to 7 million.

When the Nazis invaded the Soviet Union in 1941, some Ukrainians, particularly in the west, welcomed what they saw as liberation from Communist rule, but this did not last as they quickly came to understand the nature of Nazi rule. Nazi brutality was directed principally against Ukraine's Jews (of whom an estimated 1 million were killed), but also against many other Ukrainians. Babyn Yar in Kyiv was the site of one of the most horrific Nazi massacres of Ukrainian Jews, ethnic Ukrainians, and many others. Kyiv and other parts of the country were heavily damaged.

After the Nazi and Soviet invasions of Poland in 1939, the western Ukrainian regions were incorporated into the Soviet

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Union. Armed resistance against Soviet authority continued as late as the 1950s. During periods of relative liberalization--as under Nikita Khrushchev from 1955 to 1964 and during the period of "perestroika" under Mikhail Gorbachev--Ukrainian communists cautiously pursued nationalist objectives. The 1986 explosion at the Chornobyl (Chernobyl in Russian) nuclear power plant, located in the Ukrainian SSR, and the Soviet Government's initial efforts to conceal the extent of the catastrophe from its own people and the world, were a watershed for many Ukrainians in exposing the severe problems of the Soviet system. Ukraine became an independent state on August 24, 1991, and was a co-founder of the Commonwealth of Independent States (CIS) following the dissolution of the Soviet Union, although it has not officially joined the organization.

ECONOMY

With rich farmlands, a well-developed industrial base, highly trained labor force of 20 million, and good education system, Ukraine has the potential to become a major European economy. After a robust 8-year expansion beginning in 2000 that saw real GDP expand 75%, Ukraine's economy experienced a sharp slowdown in late 2008, which continued through 2009. After contracting 15.1% in 2009, GDP is estimated to have bounced back only 4.2% in 2010 and is forecast to grow between 4.0% and 4.6% in 2011.

Ukraine's economy remains burdened by excessive government regulation,

corruption, and lack of law enforcement, and while the government has taken steps against corruption and small and medium enterprises have been largely privatized, much remains to be done to restructure and privatize key sectors such as energy and to create a market system for agricultural land. President Yanukovich chairs a Committee on Economic Reform, and in 2010 Ukraine developed an economic reform plan for 2010-2014. In December 2010 a comprehensive new tax code was passed by parliament and signed into law, provoking major street protests in Kyiv.

Ukraine ostensibly encourages foreign trade and investment. Foreigners have the right to purchase businesses and property, to repatriate revenue and profits, and to receive compensation in the event property were to be nationalized by a future government. However, the country's complex laws and regulations, poor corporate governance, weak enforcement of contract law by courts, and particularly corruption have discouraged broad foreign direct investment in Ukraine. While there is a functioning stock market, the lack of protection for minority shareholder rights severely restricts portfolio investment from abroad.

Ukraine abounds in natural resources and industrial production capacity. Although proven onshore and offshore oil and natural gas reserves are limited, there is now interest in oil exploration in the Ukrainian portion of the Black Sea as well as prospecting for shale gas. The country has other important energy sources, such as coal, and large

mineral deposits, and is one of the world's leading energy transit countries, providing transportation of Russian gas across its territory. Ukraine imports almost 80% of its oil and 77% of its natural gas. Russia ranks as Ukraine's principal supplier of oil, and Russian firms now own and/or operate the majority of Ukraine's refining capacity. Natural gas imports currently come from Russia, Turkmenistan, Kazakhstan, and Uzbekistan, which deliver the gas to Ukraine's border through a pipeline system owned and controlled by Gazprom, Russia's state-owned gas monopoly. Ukraine owns and operates the gas pipelines on its territory, which are also used to transit Russian gas to Western Europe. Ukraine's laws forbid the sale of the gas pipeline network. The complex relationship between supplier, transporter, and consumer has led to intermittent bilateral tensions, resulting in severe gas supply disruptions for downstream consumers in 2006 and January 2009. In April 2010, the Rada ratified the Kharkiv gas-for-basing agreement in which Ukraine agreed to extend the Russian Black Sea Fleet's basing rights in Sevastopol for an additional 25 years (until 2042) in exchange for concessional pricing of Ukraine's imports of Russian gas.

Ukraine's economy is heavily dependent on its exports, which make up about 40% of its gross domestic product. While countries of the former Soviet Union remain important trading partners, especially Russia for energy imports, Ukraine's trade is becoming more diversified. The European Union (EU) accounts for about 30% of Ukraine's trade,

while CIS countries account for about 40%. Ukraine has a broad industrial base, including much of the former U.S.S.R.'s space and rocket industry. The country has a major ferrous metal industry, producing cast iron, steel, and steel pipe, and its chemical industry produces coke, mineral fertilizers, and sulfuric acid. Manufactured goods include airplanes, turbines, metallurgical equipment, diesel locomotives, and tractors. World demand for steel and chemicals began to recover in 2009 after dropping sharply in the second half of 2008, and Ukraine's suppliers experienced nearly 50% year-on-year export growth at the start of 2011. Steel constitutes nearly 40% of exports. Ukraine is also a major producer of grain, sunflower seeds, and beet sugar. In October 2010, Ukraine introduced grain export quotas. The distribution of these quotas in November 2010 and January 2011 was highly non-transparent and discriminatory to foreign grain trading companies, which did not receive allocations.

Global Trade: Mission to India

The US Department of Commerce is sponsoring an infrastructure trade mission to Mumbai, Jaipur, and New Delhi India from March 25 – 30, 2012. Registration must be made by January 25, 2012. Contact us at info@sanddollargroup.com for assistance registering for or participating in this trade mission. We are happy to provide your business with global business consultation to help you navigate through the maze of rules,

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regulations as you seek to expand your business operations.



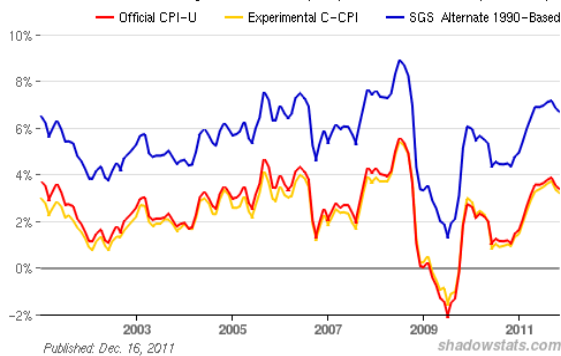
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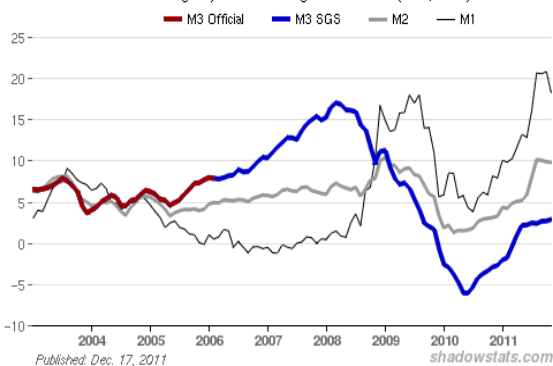
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Key Charts

Annual Consumer Inflation - Official vs SGS (1990-Based) Alternate
CPI-U Year to Year Change. Not Seasonally Adjusted. to Nov. 2011 (BLS, SGS)



Annual U.S. Money Supply Growth - SGS Continuation
Yr/Yr % Change by Month through Nov. 2011 (FRB, SGS)



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