

For calendar year 1999 or other tax year beginning and ending, 1999

1999

Department of the Treasury Internal Revenue Service

See separate instructions. Please type or print.

Form sections A through F: Foreign country or U.S. possession of incorporation, Check type of election made, Check applicable boxes, etc.

FSC Information

Form sections 1 through 3: Principal shareholder, Parent-subsidiary controlled group, Administrative pricing rules

Tax and Payments (See page 8 of instructions.)

Table with 6 main rows for Total tax, Payments (2a-2g), Estimated tax penalty, Tax due, Overpayment, and Refunded.

Sign Here, Paid Preparer's Use Only, and signature lines for officer and preparer.

Schedule A Cost of Goods Sold Related to Foreign Trading Gross Receipts (See page 8 of the instructions.)

| | (a) Using administrative pricing rules | (b) Not using administrative pricing rules |
|---|--|--|
| 1 | Inventory at beginning of year | |
| 2 | Purchases | |
| 3 | Cost of labor | |
| 4 | Additional section 263A costs (attach schedule) | |
| 5 | Other costs (attach schedule) | |
| 6 | Total. Add lines 1 through 5 | |
| 7 | Inventory at end of year | |
| 8 | Cost of goods sold. Subtract line 7 from line 6. Enter here and on line 7 of Schedule B. Small FSCs, see instructions for Schedule A. | |

- 9a Check all methods used for valuing closing inventory: (1) Cost as described in Regulations section 1.471-3
 (2) Lower of cost or market as described in Regulations section 1.471-4
 (3) Other (Specify method used and attach explanation.) ▶
- b Check if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c) ▶
- c Check if the LIFO inventory method was adopted this tax year for any goods. (If checked, attach Form 970.) . . . ▶
- d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO **9d** | |
- e If property is produced or acquired for resale, do the rules of section 263A apply to the FSC? Yes No
- f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation Yes No

Additional Information (See page 9 of the instructions.) **Note:** Small FSCs, complete lines 1 through 7f only.

| | Yes | No |
|---|--|----|
| 1 | See the instructions on page 16 and enter the FSC's: a Business activity code no. ▶ | |
| b | Business activity ▶ | |
| c | Product or service ▶ | |
| 2 | Enter the amount of tax-exempt interest received or accrued during the tax year ▶ \$ | |
| 3 | At any time during the tax year was the FSC engaged in a trade or business in the United States? | |
| 4 | Is the FSC a foreign personal holding company or a personal holding company? (See page 9 of the instructions.) | |
| 5 | If the FSC has an NOL for the tax year and is electing to forego the carryback period, check here ▶ <input type="checkbox"/> | |
| 6 | Enter the available NOL carryover from prior tax years. (Do not reduce it by any deduction in Schedule B, Part II, line 19a.) ▶ \$ | |
| 7 | FSC qualification rules (See page 2 of the instructions.): | |
| a | Enter the largest number of FSC shareholders at any time during the tax year ▶ | |
| b | Did the FSC have any preferred stock outstanding at any time during the tax year? | |
| c | During the tax year, did the FSC maintain an office in a qualifying foreign country or U.S. possession in which a complete set of books and records was maintained? (See page 2 of the instructions.) | |
| d | During the tax year did the FSC maintain the records required under section 6001 at a location within the U.S.? | |
| e | At all times during the tax year, did the FSC have at least one non-U.S. resident on its board of directors? . . . | |
| f | Small FSCs only: Check the applicable box if during the tax year the small FSC was a member of a controlled group of corporations that included a <input type="checkbox"/> DISC or a <input type="checkbox"/> FSC. | |
| g | Check the applicable box if during the tax year the FSC was a member of a controlled group of corporations that included a <input type="checkbox"/> DISC or a <input type="checkbox"/> small FSC. | |
| 8 | Foreign management rules (does not apply to small FSCs): | |
| a | Did all formally convened meetings of the board of directors and of the shareholders occur outside the U.S.? . . . | |
| b | (1) Were all cash dividends, legal and accounting fees, salaries of officers, and salaries or fees of members of the board of directors disbursed from bank accounts maintained outside the United States? (If "Yes," these accounts are considered to be the FSC's principal bank accounts.) | |
| | (2) At all times during the tax year, did the FSC maintain its principal bank accounts in a qualifying foreign country or U.S. possession? (See page 3 of the instructions.) | |
| | Name of bank(s) ▶ | |
| | Account number(s) ▶ | |
| 9 | Foreign economic process rules (does not apply to small FSCs): | |
| a | Check the applicable box if the FSC is electing to group transactions from its sales activities (Regulations section 1.924(d)-1(c)(5)): <input type="checkbox"/> Customer grouping <input type="checkbox"/> Contract grouping <input type="checkbox"/> Product or product line grouping <input type="checkbox"/> Product or product line subgroupings | |
| b | Check the applicable box(es) to indicate how the FSC met the foreign direct costs requirement: (See page 3 of the instructions.) <input type="checkbox"/> The FSC (or any person under contract with the FSC) met the 50% test of section 924(d)(1). <input type="checkbox"/> The FSC (or any person under contract with the FSC) met the alternative 85% test of section 924(d)(2). Check to indicate the subparagraph of section 924(e) for which this alternative test was met: (e)(1) <input type="checkbox"/> (e)(2) <input type="checkbox"/> (e)(3) <input type="checkbox"/> (e)(4) <input type="checkbox"/> (e)(5) <input type="checkbox"/> | |
| c | If box (e)(5) on line 9b is checked, enter which of the five methods listed in Regulations section 1.924(e)-1(e)(1) (i) through (v) describes how the FSC bears the economic risk of nonpayment ▶ | |
| d | Check the applicable box if the FSC is electing to group its foreign direct costs on one of the following (Regulations section 1.924(d)-1(e)): <input type="checkbox"/> Customer grouping <input type="checkbox"/> Contract grouping <input type="checkbox"/> Product or product line grouping | |

Schedule B Taxable Income or (Loss) (See page 9 of the instructions.)

Part I—Net Income Attributable to Nonexempt Foreign Trade Income

| | | (a) Using administrative pricing rules | | (b) Not using administrative pricing rules | |
|--|--|--|-------------|--|---|
| 1 | Sale, exchange, or other disposition of export property. (Enter 50% of military property sales. Include the other 50% on Schedule F, line 1.) . . . | 1 | | | |
| 2 | Lease or rental of export property for use outside the United States . . . | 2 | | | |
| 3 | Services related and subsidiary to: | | | | |
| a | Sale, exchange, or other disposition of export property. (Enter 50% of services related to the sale or other disposition of military property. Include the other 50% on Schedule F, line 1.) | 3a | | | |
| b | Lease or rental of export property | 3b | | | |
| 4 | Engineering or architectural services for construction projects outside the U.S. | 4 | | | |
| 5 | Managerial services for an unrelated FSC or IC-DISC | 5 | | | |
| 6a | Total foreign trading gross receipts. Add lines 1 through 5 | 6a | | | |
| <i>Small FSCs: Complete lines 6b through 6h.</i> | | | | | |
| b | Small FSC limitation (section 924(b)(2)(B)) | 6b | \$5,000,000 | 00 | |
| c | Controlled group member's share of line 6b | 6c | | | |
| d | Enter 1. (Short tax year: Divide the number of days in the short tax year by the number of days in the full tax year. Enter as a decimal less than 1.00000.) | 6d | | | |
| e | Multiply line 6b or line 6c (whichever applies) by line 6d | 6e | | | |
| f | Total of line 6a, columns (a) and (b) | 6f | | | |
| <i>Note: See the instructions for line 6f if commission income is included on line 6a.</i> | | | | | |
| g | Enter the smaller of line 6e or line 6f. <i>Note: If line 6f exceeds line 6e, enter the excess on line 7 of Schedule F</i> | 6g | | | |
| h | Allocate the amount from line 6g to columns (a) and (b) (see instructions) | 6h | | | |
| 7 | Cost of goods sold (Schedule A, line 8). (Small FSCs, enter only the part of cost of goods sold from the receipts on line 6h above. See instructions for Schedule A on page 8.) | 7 | | | |
| 8 | Foreign trade income. Subtract line 7 from line 6a or line 6h (whichever applies) | 8 | | | |
| 9a | Exemption percentage from Schedule E, line 3d | 9a | | % | |
| b | Exemption percentage from Schedule E, line 2d | 9b | | | % |
| 10 | Exempt foreign trade income. Multiply line 8 (column (a)) by line 9a and line 8 (column (b)) by line 9b | 10 | | | |
| 11 | Nonexempt foreign trade income. Subtract line 10 from line 8 | 11 | | | |
| 12 | Deductions attributable to nonexempt foreign trade income. Enter amount from Schedule G, line 18 | 12 | | | |
| 13 | Net income attributable to nonexempt foreign trade income. Subtract line 12 from line 11 | 13 | | | |
| 14 | Net income attributable to nonexempt foreign trade income from Schedule F, line 6 | 14 | | | |
| 15 | Total net income attributable to nonexempt foreign trade income. Add lines 13 and 14 | 15 | | | |

Part II—Taxable Income or (Loss)

| | | | | | |
|-----|---|-----|--|--|--|
| 16 | Taxable income from foreign trade income. Enter total of line 15, columns (a) and (b), minus any nontaxable income included in line 15, column (b). Attach a schedule that shows the computation of the taxable and nontaxable income included in line 15, column (b) | 16 | | | |
| 17 | Taxable nonforeign trade income from Schedule F, line 19 | 17 | | | |
| 18 | Taxable income or (loss) before net operating loss deduction and dividends-received deduction. Add lines 16 and 17. | 18 | | | |
| 19a | Net operating loss deduction (attach schedule) | 19a | | | |
| b | Dividends-received deduction (attach schedule) | 19b | | | |
| c | Add lines 19a and 19b. | 19c | | | |
| 20 | Taxable income or (loss). Subtract line 19c from line 18. (See instructions for Schedule J on page 13 to figure the tax on this income.) | 20 | | | |

Schedule E Exemption Percentages Used in Figuring Exempt Foreign Trade Income (See page 10 of the instructions.)

Note: Enter .30000 on line 2d and .65217 on line 3d if all shareholders of the FSC are C corporations. Skip all other lines.

Enter .32000 on line 2d and .69565 on line 3d if all shareholders of the FSC are other than C corporations. Skip all other lines.

| | | | |
|---|--|----|--------|
| 1 | Percentage (round to at least five decimal places) of voting stock owned by shareholders that are C corporations | 1 | |
| 2 | Exemption percentage for foreign trade income determined by not using the administrative pricing rules: | | |
| a | Difference between section 923(a)(2) and section 291(a)(4)(A) percentage | 2a | .02000 |
| b | Section 923(a)(2) percentage | 2b | .32000 |
| c | Multiply line 1 by line 2a | 2c | |
| d | Exemption percentage. Subtract line 2c from line 2b. Enter here and on Schedule B, line 9b, and on Schedule G, line 16b | 2d | |
| 3 | Exemption percentage for foreign trade income determined using administrative pricing rules: | | |
| a | Difference between section 923(a)(3) fraction and section 291(a)(4)(B) fraction (16/23 - 15/23 = 1/23) shown as a decimal | 3a | .04348 |
| b | Section 923(a)(3) fraction (16/23) shown as a decimal | 3b | .69565 |
| c | Multiply line 1 by line 3a | 3c | |
| d | Exemption percentage. Subtract line 3c from line 3b. Enter here and on Schedule B, line 9a, and on Schedule G, line 16a | 3d | |

Schedule F Net Income From Nonexempt Foreign Trade Income and Taxable Nonforeign Trade Income (See page 10 of the instructions.)

Part I—Net Income From Nonexempt Foreign Trade Income

| | (a) Using administrative pricing rules | | (b) Not using administrative pricing rules | |
|---|--|---|--|---|
| | 1 | 2 | 3 | 4 |
| 1 | Enter 50% of total receipts from the sale, exchange, or other disposition of military property and related services | | | |
| 2 | International boycott income | | | |
| 3 | Illegal bribes and other payments | | | |
| 4 | Total. Add lines 1, 2, and 3 | | | |
| 5 | Cost of goods sold and other costs related to above income (attach schedule) | | | |
| 6 | Net income from nonexempt foreign trade income. Subtract line 5 from line 4. Enter here and on Schedule B, line 14, columns (a) and (b) | | | |

Part II—Taxable Nonforeign Trade Income

| | | | |
|----|---|----|--|
| 7 | Small FSCs: If line 6f, Schedule B, is greater than line 6e, Schedule B, enter the excess here | 7 | |
| 8 | Interest | 8 | |
| 9 | Dividends (attach schedule—see page 11 of the instructions) | 9 | |
| 10 | Carrying charges | 10 | |
| 11 | Royalties | 11 | |
| 12 | Other investment income | 12 | |
| 13 | Receipts excluded under section 924(f) on the basis of use, subsidized receipts, and receipts from related parties | 13 | |
| 14 | Income from excluded property under sections 927(a)(2) and (3) | 14 | |
| 15 | Income from transactions that did not meet the Foreign economic process rules (see page 3 of the instructions). (See Foreign Trading Gross Receipts on page 3 of the instructions.) | 15 | |
| 16 | Other income | 16 | |
| 17 | Total. Add lines 7 through 16 | 17 | |
| 18 | Enter deductions allocated or apportioned to line 17 income. (Attach schedule. Small FSCs also include the cost of goods sold deduction attributable to the amount entered on line 7 above) | 18 | |
| 19 | Taxable nonforeign trade income. Subtract line 18 from line 17. Enter here and on Schedule B, line 17 | 19 | |

Schedule G Deductions Attributable to Foreign Trade Income Other Than Foreign Trade Income Reported on Schedule F (See instructions on pages 12 and 13 for limitations before completing lines 1 through 14.)

| | (a) Using administrative pricing rules | | (b) Not using administrative pricing rules | |
|--|--|--|--|---|
| | | | | |
| 1 Foreign direct costs described in section 924(e): | | | | |
| a Advertising and sales promotion | 1a | | | |
| b Certain processing and arranging costs | 1b | | | |
| c Certain transportation costs | 1c | | | |
| d Certain determination and transmittal costs. | 1d | | | |
| e Assumption of credit risk | 1e | | | |
| f Total foreign direct costs. Add lines 1a through 1e | 1f | | | |
| 2 Advertising | 2 | | | |
| 3 Interest | 3 | | | |
| 4 Depreciation from Form 4562 (less any depreciation claimed elsewhere on this return) (attach Form 4562) | 4 | | | |
| 5 Salaries and wages | 5 | | | |
| 6 Rents | 6 | | | |
| 7 Sales commissions | 7 | | | |
| 8 Warehousing | 8 | | | |
| 9 Freight | 9 | | | |
| 10 Compensation of officers | 10 | | | |
| 11 Bad debts | 11 | | | |
| 12 Pension, profit-sharing, etc., plans | 12 | | | |
| 13 Employee benefit programs | 13 | | | |
| 14 Other deductions (attach list) | 14 | | | |
| 15 Total deductions. Add lines 1f through 14 | 15 | | | |
| 16a Exemption percentage from Schedule E, line 3d | 16a | | % | |
| b Exemption percentage from Schedule E, line 2d | 16b | | | % |
| 17 Deductions attributable to exempt foreign trade income. Multiply line 15, column (a) by line 16a and enter the result in column (a), and multiply line 15, column (b) by line 16b and enter the result in column (b) | 17 | | | |
| 18 Deductions attributable to nonexempt foreign trade income other than foreign trade income reported on Schedule F. Subtract line 17 from line 15. Enter here and in Schedule B, line 12, columns (a) and (b) | 18 | | | |

Schedule J Tax Computation (See page 13 of the instructions.)

| | | | | |
|---|--------------|--------------|--|--|
| 1 Check if the FSC is a member of a controlled group (see section 927(d)(4)) <input type="checkbox"/> | | | | |
| Important: Members of a controlled group, see page 13 of the instructions. | | | | |
| 2a If the box on line 1 is checked, enter the FSC's share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order): | | | | |
| (1) \$ _____ | (2) \$ _____ | (3) \$ _____ | | |
| b Enter the FSC's share of: | | | | |
| (1) Additional 5% tax (not more than \$11,750) | \$ _____ | | | |
| (2) Additional 3% tax (not more than \$100,000) | \$ _____ | | | |
| 3 Income tax. Check this box if the FSC is a qualified personal service corporation as defined in section 448(d)(2). (See page 14 of the instructions.) <input type="checkbox"/> | 3 | | | |
| 4 Foreign tax credit (attach Form 1118) | 4 | | | |
| 5 Subtract line 4 from line 3 | 5 | | | |
| 6 Personal holding company tax (attach Schedule PH (Form 1120)) | 6 | | | |
| 7 Alternative minimum tax (attach Form 4626) | 7 | | | |
| 8 Total tax. Add lines 5 through 7. Enter here and on line 1, page 1 | 8 | | | |

| Schedule L Balance Sheets per Books | | Beginning of tax year | | End of tax year | |
|---|--|-----------------------|-----|-----------------|-----|
| | | (a) | (b) | (c) | (d) |
| Assets | | | | | |
| 1 | Cash | | | | |
| 2a | Trade notes and accounts receivable | | | | |
| b | Commissions receivable | | | | |
| c | Less allowance for bad debts | () | | () | |
| 3 | Inventories | | | | |
| 4 | U.S. government obligations | | | | |
| 5 | Tax-exempt securities (See page 14 of the instructions.) | | | | |
| 6 | Other current assets (attach schedule) | | | | |
| 7 | Loans to shareholders | | | | |
| 8 | Mortgage and real estate loans | | | | |
| 9 | Other investments (attach schedule) | | | | |
| 10a | Buildings and other depreciable assets | | | | |
| b | Less accumulated depreciation | () | | () | |
| 11a | Depletable assets | | | | |
| b | Less accumulated depletion | () | | () | |
| 12 | Land (net of any amortization) | | | | |
| 13a | Intangible assets (amortizable only) | | | | |
| b | Less accumulated amortization | () | | () | |
| 14 | Other assets (attach schedule) | | | | |
| 15 | Total assets | | | | |
| Liabilities and Shareholders' Equity | | | | | |
| 16 | Accounts payable | | | | |
| 17 | Mtges., notes, bonds payable in less than 1 year | | | | |
| 18 | Transfer prices payable | | | | |
| 19 | Other current liabilities (attach schedule). | | | | |
| 20 | Loans from shareholders | | | | |
| 21 | Mtges., notes, bonds payable in 1 year or more | | | | |
| 22 | Other liabilities (attach schedule) | | | | |
| 23 | Capital stock | | | | |
| 24 | Additional paid-in capital | | | | |
| 25 | Retained earnings—Appropriated (attach schedule) | | | | |
| 26 | Retained earnings—Unappropriated | | | | |
| 27 | Adjustments to shareholders' equity (attach schedule). | | | | |
| 28 | Less cost of treasury stock | | () | | () |
| 29 | Total liabilities and shareholders' equity | | | | |

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (See page 15 of the instructions.)

| | | | | | |
|---|---|--|----|--|--|
| 1 | Net income (loss) per books | | 7 | Income recorded on books this year not included on this return (itemize): | |
| 2 | Federal income tax | | a | Tax-exempt interest \$ | |
| 3 | Excess of capital losses over capital gains | | b | Exempt foreign trade income \$ | |
| 4 | Income subject to tax not recorded on books this year (itemize): | | 8 | Deductions on this return not charged against book income this year (itemize): | |
| 5 | Expenses recorded on books this year not deducted on this return (itemize): | | | Depreciation, . . . \$ | |
| a | Depreciation . . . \$ | | 9 | Add lines 7 and 8 | |
| b | Deductions attributable to exempt foreign trade income \$ | | 10 | Taxable income (line 18, Schedule B)—line 6 less line 9 | |
| c | Travel and entertainment \$ | | | | |
| 6 | Add lines 1 through 5 | | | | |

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 26, Schedule L)

| | | | | | |
|---|--|--|---|---|--|
| 1 | Balance at beginning of year | | 5 | Distributions: | |
| 2 | Net income (loss) per books | | a | Cash | |
| 3 | Other increases (itemize): | | b | Stock | |
| | | | c | Property | |
| | | | 6 | Other decreases (itemize): | |
| | | | | | |
| 4 | Add lines 1, 2, and 3 | | 7 | Add lines 5 and 6 | |
| | | | 8 | Balance at end of year (line 4 less line 7) | |

