

For calendar year 2003 or other tax year beginning and ending, 2003, and ending, 20

2003

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, FSC Information, Principal shareholder, Parent-subsidiary controlled group.

Form sections 3 and 4: Administrative pricing rules, Tax and Payments (See page 8 of instructions.)

Table with 6 columns and 8 rows for tax calculations: Total tax, Payments (2a-2g), Estimated tax penalty, Tax due, Overpayment, and Refunded.

Sign Here: Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Paid Preparer's Use Only: Preparer's signature, Date, Title, Check if self-employed, Preparer's SSN or PTIN, Firm's name, EIN, Phone no.

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	1			
2 Purchases	2			
3 Cost of labor	3			
4 Additional section 263A costs (attach schedule)	4			
5 Other costs (attach schedule)	5			
6 Total. Add lines 1 through 5	6			
7 Inventory at end of year	7			
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.	8			

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 9f only.

		Yes	No			Yes	No
1 See page 16 of the instructions and enter the FSC's:				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.			
a Business activity code no. ▶ _____				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.			
b Business activity ▶ _____				10 Foreign management rules (does not apply to small FSCs):			
c Product or service ▶ _____				a Did all formally convened meetings of the board of directors and of the shareholders occur outside the U.S.?			
2 Enter the amount of tax-exempt interest received or accrued during the tax year ▶ \$ _____				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.)			
3 At any time during the tax year was the FSC engaged in a trade or business in the United States?				(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.)			
4 Is the FSC a foreign personal holding company or a personal holding company? (See page 9 of the instructions.)				Name of bank(s) ▶ _____			
5 During the tax year, did the FSC own any foreign entity that was disregarded as an entity separate from its owner under Regulations sections 301.7701-2 and 301.7701-3?				Account number(s) ▶ _____			
If "Yes," attach a statement listing the name, country under whose laws the entity was organized, and EIN (if any) of each such entity.				11 Foreign economic process rules (does not apply to small FSCs):			
6 During the tax year, did the FSC own at least a 10% interest, directly or indirectly, in any foreign partnership? If "Yes," see page 9 of the instructions for required attachment.				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)):			
7 If the FSC has an NOL for the tax year and is electing to forego the carryback period, check here . . . ▶ <input type="checkbox"/>				<input type="checkbox"/> Customer grouping <input type="checkbox"/> Contract grouping			
8 Enter the available NOL carryover from prior tax years. (Do not reduce it by any deduction on Schedule B, Part II, line 19a.) ▶ \$ _____				<input type="checkbox"/> Product or product line grouping <input type="checkbox"/> Product or product line subgroupings			
9 FSC qualification rules (See page 2 of the instructions.):				b Check the applicable box(es) to indicate how the FSC met the foreign direct costs requirement: (See page 3 of the instructions.)			
a Enter the largest number of shareholders the FSC had at any time during the tax year ▶ _____				<input type="checkbox"/> The FSC (or any person under contract with the FSC) met the 50% test of section 924(d)(1).			
b Did the FSC have any preferred stock outstanding at any time during the tax year?				<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 subparagraphs of section 924(e) for which this alternative test was met:			
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?				(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"/>			
d During the tax year did the FSC maintain the records required under section 6001 at a location within the U.S.?				c If box (e)(5) 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 ▶ _____			
e At all times during the tax year, did the FSC have at least one non-U.S. resident on its board of directors?				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 10 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 (see instructions) . . .	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			
Note: See the instructions for line 6f if commission income is included on line 6a.					
g	Enter the smaller of line 6e or line 6f. Note: If line 6f exceeds line 6e, enter the excess on line 7 of Schedule F	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 on 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 that begin 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: *If all shareholders of the FSC are C corporations, enter .30000 on line 2d and .65217 on line 3d and skip all other lines.
If all shareholders of the FSC are other than C corporations, enter .32000 on line 2d and .69565 on line 3d and 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 Allocated or Apportioned to Foreign Trade Income Other Than Foreign Trade Income Reported on Schedule F (See page 12 of the instructions 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). Multiply line 15, column (b) by line 16b and enter the result in column (b)	17			
18 Deductions allocated or apportioned to nonexempt foreign trade income other than foreign trade income reported on Schedule F. Subtract line 17 from line 15. Enter here and on Schedule B, line 12, columns (a) and (b)	18			

Schedule J Tax Computation (See pages 13 and 14 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 13 of the instructions.) <input type="checkbox"/>	3	
4 Alternative minimum tax (attach Form 4626)	4	
5 Add lines 3 and 4	5	
6 Foreign tax credit (attach Form 1118)	6	
7 Subtract line 6 from line 5	7	
8 Personal holding company tax (attach Schedule PH (Form 1120))	8	
9 Total tax. Add lines 7 and 8. Enter here and on line 1, page 1	9	

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

