INTERNATIONAL TAX
SERVICES

ERNST & YOUNG
FROM THOUGHT TO FINISH.™

Global Tax Analysis

Data-Intensive, Targeted International Tax Solutions

Ernst & Young – A Long-Time Trusted Advisor

Ernst &Young's International Tax Services (ITS) group recognizes the need for data-intensive consulting services in today's marketplace. Toward that end, we have developed a specialized international tax practice called the ***Global Tax Analysis Group*** *(GTAG). The GTAG practice consists of experienced international tax consultants dedicated to delivering large international tax projects.*

U.S. taxpayers benefit from a network of full-time international tax professionals with proven solutions in areas such as mergers and acquisitions, transfer pricing and capital markets. Our new GTAG practice offers you – our client – the opportunity to take your tax planning to a higher level.

The hallmark of ITS GTAG is data-intensive tax analysis and planning by professionals with extensive experience in tax software, technology and project management. Our team uses highly specialized, proprietary technology to gather, manage and analyze vast amounts of data.

Because our tax experts can access such in-depth information, we can run a variety of scenarios and analyses instead of making assumptions. This enables us to plan and implement a strategy based on a precise quantification of benefits, outcomes and forecasts.

In addition, we customize and scale our solutions to best meet your company's needs. You get the best of both worlds – the benefit of working with our local, account-centric ITS team – combined with powerful knowledge and tools we leverage from our National GTAG resources.

For our clients, the end result is a comprehensive, targeted program that helps improve overall profitability and minimize taxes, while meeting IRS requirements.

Services

Ernst and Young's ITS GTAG practice is committed to providing the value-added, customer-focused solutions required for large-scale international tax projects. We offer the following services, which may be used alone or in combination:

Extraterritorial Income Optimizer

The Extraterritorial Income (ETI) regime creates opportunities for U.S. and foreign-based producers and distributors that sell and lease their goods outside the United

For our clients, the end result is a comprehensive, targeted program that helps improve overall profitability and minimize taxes, while meeting IRS requirements.

States. At the same time, the ETI rules raise new technical issues and pose considerable challenges similar to the issues involved with obtaining and maximizing Foreign Sales Corporation (FSC) benefits.

Ernst & Young's consultants and state-of-the-art software – ETI Optimizer™ – can help your company qualify for and maximize benefits under the ETI regime. Our approach uses nationally renowned technical expertise and proprietary software tools to enable our clients to take full advantage of all the tax-saving opportunities available under the new rules.

Transition Rule Benefit Optimizer

The FSC transition period offers another opportunity for some companies. During this transition, taxpayers with qualified FSCs may elect to use either the FSC or ETI rules on a transaction-by-transaction basis.

To take advantage of this opportunity, Ernst & Young has developed proprietary software – our Transition Rule Benefit Optimizer – that can determine the optimal split of transactions. The value to the corporation is a potential additional tax savings on top of the maximum benefit that could be determined by applying either the FSC or ETI rules alone. This benefit can be realized only once during the transition period.

Headquarter Costs Analyzer

Ernst & Young's Headquarter (HQ) Costs Analyzer involves an overall tax-savings strategy that identifies and evaluates headquarters services for both transfer pricing and foreign tax-credit purposes.

Our consultants employ the HQ Costs Analyzer to help companies achieve overall tax savings by efficiently allocating deductible expenses, optimizing foreign tax-credit utilization, and minimizing the potential for double taxation. This specialized approach also ensures compliance with statutory and regulatory requirements, and reduces tax adjustments and penalty exposure.

Foreign Tax Credit Optimizer

Whether a taxpayer suffers from overall foreign losses, excess credits, "manages" its credit position or is in excess limitation, the Foreign Tax Credit (FTC) Optimizer can improve FTC utilization.

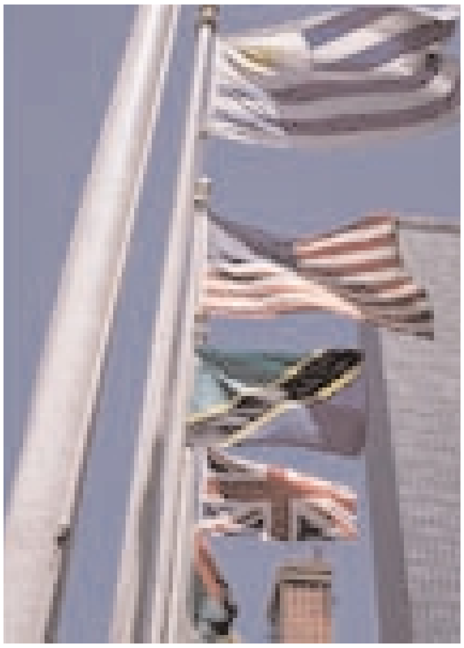
The FTC Optimizer organizes a collection of quantitative strategies into a coordinated approach that focuses on U.S. tax planning. This service can reduce U.S. taxes, improve cash flow and increase earnings per share.

Earnings and Profits Analysis

Ernst & Young's Earnings and Profits (E&P) Analysis service provides a standardized approach to calculating the earnings and profits, tax pools and tax layers of foreign entities.

Our E&P Analysis enables clients to proceed confidently with international tax planning involving reorganizations. Foreign E&P and tax studies also help companies comply with record-keeping requirements and other regulations.

Because our tax experts can access such in-depth information, we can run a variety of scenarios and analyses instead of making assumptions.



International Tax Controversy Services

Ernst & Young's International Tax Controversy Services proactively identifies and addresses tax controversy risks to help your company minimize penalty-and-interest exposure and avoid litigation.

If a controversy does arise, our professionals will manage it through an IRS examination, IRS appeal and, if necessary, litigation. When litigation is required, you can trust our experts to effectively defend your issues.

Our integrated approach includes specialty services from Ernst & Young's economists, accountants and foreign-law specialists to provide a comprehensive, global analysis.

Stock-Option Chargeback

U.S. businesses commonly use corporate stock options as a form of deferred-incentive compensation for their domestic employees, as well as for employees of foreign subsidiaries.

A stock-option chargeback occurs when the foreign subsidiary pays the "spread" between the exercise price paid by the employee and the fair market value of the stock at the time of exercise. In this manner, the cost of the option is borne by the foreign corporation itself. Ernst & Young's professionals can help clients manage chargebacks and other aspects of their stock-options plans to maximize foreign and U.S. tax benefits.

Tax Attribute Database

Leveraging information contained in international tax-compliance systems and other data sources, Ernst & Young's Tax Attribute Database (TAD) allows executives to centralize tax intelligence. This facilitates data collection, browsing and cleansing and, most importantly, performing ad-hoc analytics without jeopardizing a company's tax-compliance process.

TAD provides a bird's-eye view of a company's international tax computations, such as foreign earnings & profits and deemed-paid tax credits. Through a variety of analyses and functions, TAD can help clients undertake activities that can strengthen their tax programs. Some of these include planning strategies for repatriation and utilizing foreign tax credits, building side-by-side comparisons of multi-year tax projections, and easing the reconciliation process between detailed tax computations and IRS forms.

Global Effective Tax Rate Minimization

Economic conditions and other factors are increasing pressure on organizations to maximize shareholder value. In response, many corporate tax departments are focusing more intently on effective tax-rate minimization opportunities. While cash flow, net present value and other analyses remain important, global effective tax rate is in the spotlight. Our international tax professionals have identified best practices to help tax departments minimize their global effective tax rate.

APB 23 and FAS 109 provide an exception to the general rules around establishing deferred tax liabilities for certain foreign subsidiaries. Ernst & Young's APB 23 Position Analyzer is our comprehensive approach to minimize effective tax rates through this exception.

FMV Interest Expense Apportionment

The fair market value method allows the taxpayer to allocate interest expense to foreign source income based on the foreign-to-worldwide ratio of the fair market value of tangible and intangible assets. Certain companies that use fair market value as the basis for interest expense allocation can substantially reduce or eliminate excess foreign tax credits.

Current IRS policy requires that U.S. and foreign corporations value major tangible assets separately to effectively use the fair market value method of apportionment. Valuation of these assets can be a sizable task. It can be equally challenging to interpret new asset values and model various tax opportunities. For this reason, many corporations haven't considered the fair market value approach.

Ernst & Young provides the valuation and international tax services a company needs to adopt and support the fair market value method of apportioning interest expense in an efficient, cost-effective manner.

Our integrated approach includes specialty services from Ernst & Young's economists, accountants and foreign-law specialists to provide a comprehensive, global analysis.