Doing Business in the United States

2010

Contents

1. Introduction

UHY International is a global organisation that provides accountancy, business management and consultancy services through financial business centres in over 70 countries throughout the world. Independent member firms of UHY International collaborate to provide clients with seamless trans-national services, as well as specialised knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in the United States has been provided by the office of an independent member of the UHY International network:

UHY Advisors (UHY International liaison office in the US)
19 West 44th Street
New York, NY 10036
Tel: +1 212 381 4700
Fax +1 212 354 6445
Website: www.uhy-us.com
Email: jwolfgang@uhy-us.com

You are invited to contact John E. Wolfgang, Chairman of UHY International, related to any inquiry.

About UHY Advisors, Inc. and UHY LLP

UHY Advisors, Inc. provides tax and business advisory services for companies representing all of the major industry sectors in the US. UHY Advisors provides rapidly growing and established middle market companies with the necessary professional advice to achieve local, regional and, through UHY International, global business objectives.

Through an alternative practice structure, UHY LLP, a licensed independent CPA firm, provides audit and attest services to many UHY Advisors clients and to other companies and organizations.

To provide customized services, both UHY Advisors and UHY LLP have created industry and service-specific teams to leverage expertise and industry presence in a variety of key sectors. These industry groups include: banking and credit unions, construction, education and not-for-profits, energy and utilities; government, health care, high tech, manufacturing and private equity.

In addition to traditional compliance-related services, UHY Advisors offers a broad array of specialty services to larger businesses that include information technology; internal audit; enterprise-wide risk management; process improvement, flexible staffing; investment management; group health and life insurance services; forensic, litigation and valuation services; and a diverse set of corporate and individual tax services.

UHY Advisors' clients in the US enjoy the benefit of a service team that can coordinate service delivery in multiple locations. This consistency in approach and service delivery helps ensure regular points of contact for the client and a greater degree of personalized service from locally based professionals.

With more than 1, 200 employees in offices throughout the US, specific services include:

- Foreign, US and state & local tax services (from US and foreign country perspectives)
- Transaction-related services such as valuation, due diligence and tax issues related to major business purchases and sales
- Fraud forensic accounting, eDiscovery and litigation support
- IT risk management and other technology-related consulting services
- Business advice about the client's industry and potential linkage to vendors/customers in US markets
- Wealth-building strategies for high net worth individuals
- Attestation (auditing) services provided through UHY LLP.

Information in the following pages has been updated effective at the date shown. However, inevitably, such information is both general and subject to change and should be used for guidance only. For specific matters, clients and prospective clients are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current as of January 2010.

We look forward to helping you do business in the US.

The statements contained herein are provided for information purposes only, are not intended to constitute tax advice which may be relied upon to avoid penalties under any federal, state, local or other tax statutes or regulations, and do not resolve any tax issues in your favour. Furthermore, such statements are not presented or intended as, and should not be taken or assumed to constitute, legal advice of any nature, for which advice it is recommended that you consult your own legal counsellors and professionals.

UHY Advisors, Inc. and its subsidiary entities have more than 1,200 professionals providing services from offices across the United States. UHY Advisors, Inc. is ranked by *Accounting Today* as the 15th largest professional services firm providing tax and business consulting in the country. Attest services are performed through an alternative practice structure with UHY LLP, a licensed CPA firm.

UHY Advisors, Inc. and UHY LLP are independent U.S. members of UHY International Limited, an international association of independent member firms providing accounting, tax and other professional services. For additional information, please visit UHY Advisors' Web site at www.uhyadvisors-us.com. UHY Advisors, Inc. and its subsidiary entities are not licensed CPA firms. UHY LLP is a licensed independent CPA firm that performs attest services.

UHY Advisors is a member of UHY, an international association of independent accounting and consultancy firms, whose organizing body is Urbach Hacker Young International Limited, a UK company. Each member of UHY is a separate and independent firm. Services described herein are provided by UHY Advisors and not by Urbach Hacker Young International Limited or any other member of UHY. Neither Urbach Hacker Young International Limited nor any member of UHY has any liability for services provided by other members.

2. Political and business environment

The US form of government is best described as a representative democracy with a federal government, 50 state governments and thousands of smaller municipalities such as counties, cities, towns and villages.

The federal government consists of three branches that provide checks and balances to each other. The three branches are:

- Executive: Headed by the President who is elected every four years. Main duty is to enforce the laws of the land.
- Legislative: A bi-cameral body consisting of the Senate and the House of Representatives, which collectively represents the electorates of all states. Main duty is to create, amend or repeal laws.
- Judicial: Led by the US Supreme Court, a body of nine justices who are appointed by the President and serve life terms. In addition, there are lower federal and appellate division courts throughout the United States to handle both civil and criminal matters. Also called "the High Court," the Supreme Court's main functions are to interpret the laws of the land and establish procedural rules for the federal courts.

The two dominant political parties in the US are the Democratic Party and the Republican Party. No third parties have gained any significant representation in recent decades.

With a gross domestic product of $14.3 trillion for 2008, the US market remains the largest in the world despite a weakened fourth quarter due to factors that include recessionary fears brought on by plummeting housing values, rising unemployment and weakening credit.

While the trend continued throughout much of 2009, the first quarter's unprecedented Congressional approval of a $787 billion economic stimulus package combined with loans to ease institutional portfolios acted to help ease volatility in the capital markets.

Because of a relatively high standard of living and the size of the US population – almost as large as the entire European Union – market share and profit potential provide strong attraction for many businesses and individual entrepreneurs to invest or expand their business operations.

Although each business owner has unique motives and needs, there are several general characteristics that attract investors to the US such as:

- Easy access to markets via expansive communications and transportation networks with relatively few language, customs or tariff barriers;
- A stable political and economic environment that supports the private sector and entrepreneurial spirit;
- Relatively easy access to sources of capital through a stable banking system and private equity placements;
- Free convertibility of currency without the currency exchange controls imposed in many other countries;
- A good supply of management talent and a skilled labour force.
- A tax system with comparatively lower income tax rates than many other countries – although property taxes and other use taxes are generally levied at varying degrees by state and local taxing authorities;
- Special incentives offered competitively by state and local governments as inducements to attract new business to their communities.

Like any large, mature economic system, the US economy is continuously changing and adapting to national and global conditions. Such factors as fuel prices, inflation, changing market demands and changes in laws and regulations all contribute to growth cycles that inevitably cause periods of high growth followed by downturns.

It is difficult to predict positive economic growth or whether a particular business sector in the US will continue to behave according to previous events. An effective way to minimize the risks and help make successful US investments is to seek sound advice from knowledgeable professionals on issues that directly relate to your business or investment.

What follows is a brief summary of selected areas of interest to foreign businesses and individuals considering an investment in the US.

Government Regulation

Foreign trade in the US is generally subject to few restrictions as the marketplace is highly accessible to both importers and exporters than is generally true in other countries. Certain industries or products are separately regulated (e.g., food and drug products, insurance, utilities), while others are subject to protectionist fees or duties. Import duties may be controlled with proper planning and structuring; for example, by altering the design or construction of merchandise imported, or by arranging for assembly in the US. For this reason, many foreign auto makers have opened assembly plants in the US to avoid or significantly reduce tariffs on their products.

There are many requirements related to federal and state registration, reporting and other compliance (e.g. environmental) responsibilities that can appear quite formidable. This is due in part to the "home rule" effect where state and local governments have wide authority on regulating commerce in their jurisdictions, including product liability, insurance, financing, taxes, and pollution control. However, states have little or no power to regulate certain activities, such as interstate commerce, communication and national defense matters.

Often, states will impose additional standards on regulations that extend beyond federal requirements. For example, the State of California exercises stringent environmental emissions controls that exceed federal thresholds. Some states are very active in regulating business affairs, while others rely principally on federal regulation. Corporate law, contract law and the law of torts are areas almost exclusively the province of state law. A thorough evaluation of state, corporate and regulatory statutes is required before deciding where to locate. UHY Advisors professionals can assist with these matters.

Financial System

The US financial system is regulated at both the federal and state levels. The central bank is known as the Federal Reserve System. Created in 1913 in response to cyclical credit collapses to provide the nation with a more flexible and stable monetary supply, its responsibilities include:

- Conduct the nation's monetary policy
- Provide a system of supervision and regulation of the nation's banking institutions and monetary supply
- Maintain the stability of the US financial system
- Provide certain financial services to the US government, the public, financial institutions and foreign governments
- Carry out the mandates and mission of the Federal Reserve through 12 Federal Reserve Banks throughout the US.

The capital needed to transact commerce in the US is available from a number of sources. Depository institutions, commercial lenders and other financial institutions, as well as non-bank lenders are used to secure funding for operations. In addition, the US is home to the world's premiere stock exchanges and other venues for capital creation such as private equity placements.

3. Foreign investment

The US continues to be the largest recipient of foreign direct investment in the world. Among the top reasons companies cite for making investments in the US are:

- Size and strength of the market
- Quality of roads, telecommunications and other infrastructure
- Legal protection for patented, trademarked and copyrighted goods
- Pro-business regulatory climate
- Highly skilled workforce.

Foreign companies invest in the US to be closer to their American customers, sell more products and improve their global competitiveness.

4. Setting up a business

Integrated business and tax planning is crucial to your operational and financial success. US tax burdens are affected by the method chosen for doing business in the US – whether the entity is a branch, corporation or partnership, a purchase of assets or shares of a US company, or a merger with a US company.

Non-US Businesses

1. Branch vs. US Subsidiary

A basic rule in the taxation of a branch of a non-US corporation is that active business income and passive investment income (not connected with an active business) are to be separated and taxed at different rates. Net business income is taxed at ordinary graduated rates and passive income is taxed at a flat 30% rate (unless reduced by an applicable treaty). The computation of business profits is similar regardless of whether operations in the US are conducted through a US subsidiary or through a branch of a non-US corporation.

2. Branch

Profits from a US branch of one non-US corporation cannot be combined with losses from a US branch of another non-US corporation to reduce overall tax liability. All operations would have to be conducted by branches of the same non-US corporation. Conversely, other unrelated US business income of a non-US corporation will be aggregated with the branch earnings or losses of the same non-US corporation. This could result in income being taxed at higher marginal tax rates. In other cases, it will allow losses from one branch to offset income from another branch, which would reduce the aggregate US tax cost.

Generally, dividends and interest paid by US corporations are taxable to the recipients. US citizens must include these payments in their income subject to US taxation. In order to impose a tax on dividend and interest payments by a US corporation to a non-resident foreign person, a 30% flat withholding tax is applied (unless reduced or eliminated by a US tax treaty). In general, dividend and interest payments by a non-US corporation to foreign persons are also subject to US taxation, which is collected by imposing a 30% withholding rate (or lower treaty rate) on the amount paid attributable to US earnings.

A separate "branch profits" tax is imposed on the earnings and profits of a US branch of a non-US corporation attributable to the branch's effectively connected income.

Earnings and profits subject to the branch profits tax are reduced (increased) by an increase (decrease) in US net assets. Although a US income tax treaty can reduce or eliminate the branch profits tax, these benefits can only be claimed by corporations that are qualified residents of the treaty country.

US Businesses

3. US Subsidiary

A group of US corporations affiliated by at least 80% stock ownership with a common parent corporation may elect to file a consolidated US corporate income tax return. The tax is imposed on the consolidated taxable income. Filing on a consolidated basis may reduce US taxes since losses of one member may be used to offset the profits of another. Many non-US persons find it advantageous to form a US parent corporation that owns several corporations, each of which conducts business in the US, and to file a consolidated US return. Operating in this form may also be based on legal liability considerations.

The advantages of forming a parent corporation in beneficial treaty countries that own US corporations or US branch operations are often restricted by US treaty-shopping rules.

4. Acquisition of US Business

The decision to purchase business assets or stock of an existing US corporation involves significant legal and tax considerations. It is important to determine the manner in which US business activities will be conducted as early as possible. Different methods of acquiring existing US business assets or interests and establishing proper capital structures can result in significantly different tax costs. The tax consequences to the buyer and seller will directly affect the price to be paid.

5. Joint Venture or Partnership

For business purposes, the use of a joint venture or a partnership may in certain instances be desirable to foreign corporate or individual investors seeking to start a US business. For tax purposes, a non-resident individual or foreign corporation that owns a US partnership interest will be considered to be engaged in a US trade or business.

Although a partnership is a separate entity for tax purposes, no tax is imposed on the partnership itself. However, the partnership is required to withhold taxes on behalf of each foreign partner at the highest effective tax rate on that partner's pro-rata share of the partnership's effectively connected US income.

Each partner, whether corporate or individual, then accounts for the US tax consequences attributable to its share of partnership or joint venture operations on their US return.

The use of these entities allows for consolidation of operating results with each partner's other US activities.

6. Limited Liability Company

Most states have adopted statutes permitting the creation of limited liability companies (LLCs), which may be treated as partnerships for US income tax purposes while enjoying the limited liability associated with corporations. Many joint ventures are now created using an LLC.

5. Labour

Wages

The Fair Labour Standards Act (FLSA) establishes minimum wage, overtime pay, record-keeping and child labour standards that affect full- and part-time workers in the private sector and in federal, state and local governments. The Act requires that covered employees, unless otherwise exempt, be paid not less than one and one-half times their regular rates of pay for all hours worked in excess of 40 in a work-week.

State laws also apply to employment subject to FLSA. When both this Act and a state law apply, the law setting the higher standards must be observed.

Unemployment

Unemployment insurance provides benefits to persons who are unemployed through no fault of their own; who are ready, willing and able to work; and actively seeking work. Administered on a state level, funding of the unemployment system comes from employer assessments and through state unemployment subsidies. During a period of unemployment, the claimant is eligible to receive up to 52 full weeks of benefits.

Social Security

Under the Federal Insurance Contributions Act of 1935, both employers and employees are required to contribute to the Social Security fund that was established to provide retirement benefits for all workers. For 2010 remuneration (including taxable benefits and deferred compensation), up to $106,800 is subject to Social Security tax at the rate of 6.20%. All remuneration without limit is subject to the Medicare tax at 1.45%. While working in the US, residents of certain countries may (because of bilateral agreements with the US) be covered by their own national plans and, therefore, be exempt from mandatory participation in Social Security.

Worker's Compensation

Workers' Compensation laws are designed to ensure that employees who are injured or disabled on the job are provided with fixed monetary awards. These laws also provide benefits for dependents of those workers who are killed because of work-related accidents or illnesses. State Worker's Compensation statutes establish the framework for most employment in their jurisdictions.

6. Taxation

Federal, state and some local governments tax the income earned by non-US individuals and entities from business or investment activities conducted in the US. State and local income tax laws are diverse and often complex. At the state and local levels, there are also sales, property, franchise and unemployment taxes. Federal excise and import duties are also imposed.

Whether a non-US person's income is subject to federal taxation depends principally upon the person's status as a resident or non-resident of the US, and whether the non-US person is doing business in the US. Most federal tax law is contained in the Internal Revenue Code and the voluminous regulations and rulings issued by the Internal Revenue Service; however, many special tax provisions are contained in tax treaties with the US that override the normally applicable US statutes.

Taxation of Non-US Businesses with Operations in the US

The overall tax consequences of alternative methods of doing business in the US require careful analysis of the interplay of several sources of law – the US Internal Revenue Code, tax treaties and tax law in the foreign corporation's home country. Our summary covers only the most frequent applications of US tax law and certain treaty provisions.

US income tax is imposed on income effectively connected with the conduct of a trade or business within the US by non-US persons. Gross income is reduced by the cost of goods sold, depreciation, amortization and certain other allowable business deductions to arrive at taxable income. US branches may also deduct a reasonable allocation of their foreign home office expenses, such as research and development and administrative costs. Graduated tax rates are applied to taxable income to establish the gross tax. The gross tax may be reduced by certain business credits and an alternative minimum tax may increase the tax payable. (See Appendix II for the regular and alternative minimum tax rates.)

State corporate income taxes frequently mirror the Federal system, with many states providing different credits and most states imposing a minimum annual tax payable by all corporations incorporated or doing business in the state. Under income tax treaties, business income is generally taxable by the US only if attributable to a "permanent establishment" in the US.

If there is no applicable treaty, income is taxable if it is "effectively connected" with the conduct of a US trade or business as defined by the Internal Revenue Code and regulations. It is important to recognize the point at which activities in the US become a US trade or business. Failure to recognize that threshold can result in unanticipated and adverse tax effects.

Generally, mere market investigation, collecting information, storing or purchasing goods in the US will not subject the foreign corporation to US income tax. In contrast, the use of travelling salespeople or other US personnel, dependent or exclusive US commission agents, or the opening of a sales office or US plant will subject the foreign corporation to US tax on its business income. The mere ownership of a controlling interest in a US corporation (with limited contractual authority) will not automatically be considered a US permanent establishment of the non-US stockholder. These are general guidelines. The definition of "permanent establishment" varies with each treaty and must be carefully considered.

Taxation of Income Not Related to a US Trade or Business

Income from US sources which is not effectively connected with a US trade or business or a permanent establishment in the US is subject to a 30% withholding tax on gross income (as opposed to the graduated tax on net business income). This rate may be reduced or eliminated by applicable tax treaties. The flat tax generally applies to interest, dividends, rents, royalties and similar payments from US sources. Capital gains (e.g., from the sale of stock) are generally not subject to tax by the US, with the exception of transfers of US real property interests.

Taxation of Non-US Individuals

The taxation of non-US citizens depends upon whether they are classified as residents or non-residents by the Internal Revenue Code.

Non-residents

Certain (passive) income paid to non-resident alien individuals is subject to a withholding tax at a rate of 30% of the gross amount. The rate may be reduced or eliminated if the recipient is a resident of a country having a tax treaty with the US This withholding system applies to income from US sources that is not effectively connected with the conduct of a trade or business within the US and generally consists of interest, dividends, rents, premiums, annuities, and similar payments. In limited circumstances, compensation earned from personal services may fall within this category depending on the payer, the amount and the recipient's length of presence in the US.

If the non-resident's US source income does not fall into this "passive" category, it is treated as income effectively connected with a trade or business, which is taxed at graduated rates after certain exemptions and deductions.

In general, capital gains are only taxable to non-resident aliens if they are present in the US for 183 days or more during the year the gain is realized. However, gains from the sale or exchange of patents, copyrights, trademarks, goodwill, etc. are taxable, regardless of the individual's presence in the US, if they are contingent on the productivity or use of such property. Likewise, gains from the sale of US real estate interests are subject to tax as a result of the Foreign Investment in Real Property Tax Act (FIRPTA). Gains on a non-US person's sale of US assets that were used in a US business are also taxable to the extent of depreciation taken.

There is generally no state taxation of non-resident aliens or non-US business entities not doing business in any state. However, compensation for services rendered in a state is treated as business income subject to state income taxation.

Residents

Non-US individuals classified as residents of the US are taxed in the same manner as US citizens. All of a US resident's world-wide income is subject to tax, less certain adjustments to income, itemized deductions and personal exemptions. Trade or business expenses are generally deductible when paid or incurred. Capital purchases of business assets are generally deductible over several years; the length of the period depends on the class to which the assets are allocable.

Certain personal expenditures such as contributions to retirement plans, mortgage interest and charitable contributions reduce income subject to tax. After all deductions and exemptions, the net (taxable) income is subject to graduated tax rates depending on the amount of taxable income and filing status (married filing jointly with spouse, married filing separately, single or head-of-household). Certain credits may reduce the tax payable, while an alternative minimum tax may increase it. Individuals generally file tax returns on a calendar year basis.

States will generally do one of the following: (1) follow the federal calculation and substitute their own rate system, credits and exemptions; (2) impose tax as a percentage of Federal tax; or (3) impose a modified gross receipts tax at low rates. Some states have low rates or tax selected categories of income only. Some states (including Alaska, Nevada, Florida and Texas) have no personal income tax.

Who is a Resident?

Since the tax rules are radically different for non-residents and residents, the determination of resident status is critical. A citizen of the US is always taxed as a resident. For non-US citizens, lawful admission or substantial presence in the US determines resident status.

Lawful admission refers to a person who has been granted permanent resident status at any time during the year, under the federal immigration laws, and whose status has not been revoked.

Substantial presence refers to a person who is in the US (other than as an exempt teacher, student or non-US government-related person) if:

1. The person is in the US at least 31 days in the calendar year
2. The total number of days such person is in the US during the current and two preceding calendar years is at least 183.

NOTE: To compute the number of days a person is in the US, the days in the current year are added to one-third of the days in the preceding year and one-sixth of the days in the second preceding year. Thus, if a non-US individual averages at least 122 days' presence in the US each year, he will meet the substantial presence test and be considered a resident.

EXCEPTION: If a non-US person (1) is present fewer than 183 days in the current year, and (2) can demonstrate a tax home in, and a closer connection to, a non-US country, the resident status will not apply unless this person has applied for permanent status during the year. Special rules apply to the first and last year of residency.

Income Taxation of US Real Estate Operations

A non-US taxpayer may elect to treat the operation of US real estate as a trade or business to avoid the 30% (or reduced treaty rate) gross withholding tax on rents received. Since many real estate projects operate at a taxable loss or minimal profit, this election frequently saves taxes.

Sale of a US Real Property Interest

Regardless of whether a non-US person is engaged in a US trade or business, gain from the sale of any US real property interest will be taxed as business income. Real property interests include direct ownership of US land, buildings, mineral interests and the like, as well as ownership of stock in a US corporation whose primary assets are such properties.

In general, non-resident individuals pay a minimum of 15% to 35% of the net gain from the sale. To ensure collection, the buyer or buyer's agent must withhold and remit to the Internal Revenue Service 10% of the gross selling price at closing. Even in the case of no gain, the 10% withholding tax must be withheld unless an exemption certificate is obtained (in advance) from the Internal Revenue Service. This can take up to three months. For dispositions by non-publicly traded partnerships, trusts and estates, the withholding tax rate is 35% of each non-US partner's or beneficiary's share of the gain realized.

Sales Tax

There is no value-added tax or sales tax at the federal level. However, most states impose a sales or a use tax on tangible personal property and certain other kinds of property and services subject to some exemptions. Each state's sales tax system is unique, and the rates and goods subject to the tax vary greatly.

Non-US Individuals

Effective tax planning for non-US individuals involves the full utilization of treaty exemptions, proper timing of income recognition and planning for residence status. For example, since US capital gains may, in some cases be exempt from US taxation to non-residents (but taxable to resident aliens), it can be advantageous to recognize certain gains in a year in which the individual qualifies for non-resident status.

This increases the importance of planning prior to moving to the US. Other factors to consider:

- Treaty exemptions and statutory exemptions exist for a certain amount of personal service income
- The deductions generally allowed to non-residents are different than those allowed to residents
- Non-residents are taxed on US source income only, while residents and US citizens must report worldwide income to the US
- Gift and estate taxes can also play an integral part in deciding the most beneficial status and form of ownership of valuable assets.

7. Accounting & reporting

In the US, public companies represent the most regulated type of entity related to accounting and financial reporting. For both public companies and all non-public entities, the Financial Accounting Standards Board (FASB), formed in 1973 as the private sector standard-setting body, is responsible for establishing what are known as "Generally Accepted Accounting Principles" (GAAP) for financial reporting. The Securities and Exchange Commission (SEC) and other regulatory organizations, such as the various stock exchanges, exercise influence in the standards setting process and prescribe additional rules for affected companies, including a requirement for audited financial statements. State laws usually do not require a business to appoint independent auditors and audited financial statements are not required for US income tax filings.

Entities proposing to sell securities to the public as well as existing publicly held entities are generally required to file increasingly detailed disclosures with the SEC, including audited financial statements issued within specific time periods following quarter-end and year-end. Banks, other credit lenders and parent company management of subsidiary entities doing business in the US may also require that financial statements be audited.

Federal tax law may prescribe or permit certain accounting rules that may vary from GAAP and result in financial statements that differ from a company's tax return. These items are usually separately identified in the tax return and reconciled to the financial statements.

As required by the Sarbanes-Oxley Act of 2002, the Public Company Accounting Oversight Board (PCAOB) was created to provide registration, inspection, auditing standards and enforcement for all CPA firms providing audits of publicly owned companies listed on the US exchanges.

All CPA firms that provide attest services to public companies are required to be registered with the PCAOB. In addition, if 20 percent or more of a US company's assets and revenue are from a foreign subsidiary, then that foreign entity must also be audited by a firm registered with the PCAOB. As a result, many UHY International member firms have registered with the PCAOB.

The principal professional accounting organization in the US is the American Institute of Certified Public Accountants (AICPA). The AICPA promulgates auditing and ethics standards for its membership, which is comprised of individual certified public accountants who obtain this licensing from their respective states.

The AICPA has also established a series of Audit Quality Centres that require member firms to adhere to rigorous quality control standards and to undergo periodic peer reviews by outside independent CPAs. Each state also has promulgated laws and regulations for the accounting profession.

In the US, UHY LLP is a licensed independent CPA firm that provides financial statement audits and other attest services. Registered with the PCAOB, UHY LLP is wholly independent of both UHY Advisors and UHY International. For more information about UHY LLP, contact Larry Porschen at (314) 615-1220 or email at lporschen@uhy-us.com.

8. UHY Advisors, Inc. locations

UHY Advisors
19 West 44th Street
New York, NY 10036
Mr. John E. Wolfgang

Tel:	+1 212 381 4700
Fax	+1 212 354 6445
Website:	www.uhy-us.com
Email:	jwolfgang@uhy-us.com

With additional offices in:

- Albany, New York
- Atlanta, Georgia
- Chicago, Illinois
- Columbia, Maryland
- Dallas, Texas
- Houston, Texas
- Oakland, New Jersey
- White Plains, NY
- St Louis, Missouri
- Sterling Heights, Michigan
- Southfield, Michigan
- Washington, DC

For more information please visit www.uhy-us.com

9. UHY International offices worldwide

For contact details of UHY International member firm offices worldwide, or for details on how to contact the UHY executive office, please visit www.uhy.com

Appendix I – Effective for 2010

Federal Income Tax Rates (does not include any state income taxes that may be applicable)

A. Tax rate tables - personal income tax rates
(These tax rate brackets are adjusted annually for inflation.)

Single taxpayers for tax years beginning in 2010:

If taxable income is:		then the tax is:		
over	but not over	this ⇩	+ this ⇩ % of the taxable income over	⇩
$0	$ 8,375		10%	$0
8,375	34,000	838+	15%	8,375
34,000	82,400	4,681+	25%	34,000
82,400	171,850	16,781+	28%	82,400
171,850	373,650	41,827+	33%	171,850
373,650		108,421+	35%	373,650

Married individuals filing joint returns and surviving spouses for tax years beginning in 2010:

If taxable income is:		then the tax is:		
over	but not over	this ⇩	+ this ⇩ % of the taxable income over	⇩
$0	$16,750		10%	$0
16,750	68,000	1,675+	15%	16,750
68,000	137,300	9,363+	25%	68,000
137,300	209,250	26,688+	28%	137,300
209,250	373,650	46,834+	33%	209,250
373,650		101,086+	35%	373,650

Married individuals filing separate returns for tax years beginning in 2010:

If taxable income is:		then the tax is:		
over	but not over	this ⇩ + this ⇩ % of the taxable income over ⇩		
$0	$ 8,375		10%	$0
8,375	34,000	838+	15%	8,375
34,000	68,650	4,681+	25%	34,000
68,650	104,625	13,344+	28%	68,650
104,625	186,825	23,417+	33%	104,625
186,825		50,543+	35%	186,825

B. Tax rate table - Corporate income tax rates

If taxable income is:		then the tax is:		
over	but not over	this ⇩ + this ⇩ % of the taxable income over ⇩		
$0	$ 50,000		15%	$0
50,000	75,000	7,500+	25%	50,000
75,000	100,000	13,750+	34%	75,000
100,000	335,000	22,250+	39%	100,000
335,000	10,000,000	113,900+	34%	335,000
10,000,000	15,000,000	3,400,000+	35%	10,000,000
15,000,000	18,333,333	5,150,000+	38%	15,000,000
18,333,333			35%	0

Appendix II - Effective for 2010

Federal Alternative Minimum Income Tax

The alternative minimum tax (AMT) is calculated by applying the AMT rate to the excess of AMT income over the exemption amount. The alternative minimum tax is additional tax to the extent that it exceeds the regular income tax.

A. Rates

Individuals	
$ 0 - $175,000	26%
> 175,000	28%
Corporations	20%

B. Exemption amounts

Single individual: $33,750	reduced by $.25 for each $1 by which AMT income exceeds $112,500
Married individual filing jointly: $45,000	reduced by $.25 for each $1 by which filing jointly AMT income exceeds $150,000
Corporations: $40,000	reduced by $.25 for each $1 by which AMT income exceeds $150,000