

I preface the list of questions with the following:

A. We have information only regarding that he has dealt with the non-tax issues and we are to focus only on the tax issues (even if we disagree with the non tax issues). Thus, when it comes to writing the proposal, the advisor should clear state that he is addressing the tax issues only.

B. We have no other information ahead of time that pertains to his needs for borrowing and we cannot assume whether he is or is not well funded.

C. As in all situations, one cannot go in sequence on the list of questions. One answer brings up certain discussions which would change the order of questioning or else there would be too many loose ends. Therefore, to comply with this assignment, I have chosen the 5 questions and will put additional questions under a separate heading, although in real life, I would probably change the order.

5 QUESTIONS:

1. What is your motive regarding profits?
2. Do you have a high equity base or will you require financing?
If so, what possibilities have you considered?
3. Is there a need for expertise in the foreign jurisdiction?
4. What forms of business entities have you considered and how do you feel about each?
5. Have you completed a long range business plan? If so, may I see it?

ADDITIONAL QUESTIONS:

6. When do you project that the business will be profitable?
7. Do you have any intellectual property and know-how which will remain with the business?
8. What do you intend to do with the profits? Will you take them out of the business or let them remain for future endeavors?
9. What types of expansion are needed? Administrative, distribution, manufacturing, etc.
10. To what extent will you rely on the resources of the expansion locations?
11. Are there any specific problems with partners, creditors or customers?

QUESTIONS ABOUT THE OVERSEAS EXPANSION:

12. Nature of operation and products or services.
13. Markets (size and shares and potential penetration per country).
14. Projected before-tax rate of return and cash flow (per market).
15. Projected non-tax costs (per market).
16. Whether the project is planned to be long-term or short-term?
17. Whether the project is planned to be run under centralized management (foreign markets division), foreign representative office or branch); or under decentralized management (via foreign subsidiary)?
18. Financing policy (where to finance--home or overseas), how to finance (equity/debt), how much to finance) and investment strategy (active, passive managed assets). OF COURSE, HERE WE ARE GETTING THE CLIENT'S THINKING OF THE SUBJECT.
19. Repatriation/reinvestment policy

QUESTIONS ABOUT THE DOMESTIC BUSINESS:

20. Whether the business within the US is projected to be profitable or loss-generating in the years to come,(as opposed to an earlier question about the past). (If the client responds, then ask for the numbers).
21. Marginal tax rates for the past five years. (This is for the advisor to determine and he needs to see proper records to determine this).
22. Tax attributes (NOLs NCLs, FTCs excess).
23. Whether the firm files consolidated tax returns.

PERSONAL PROFILE QUESTIONS:

24. Attitude toward risk (aggressive, middle of the road, conservative).
25. Past, existing and pending litigation (especially with the IRS).

ADDITIONAL QUESTIONS

26. Do you wish to repatriate your loan payments back into the U.S.?
27. Have you given thought to the currency of the debt you have selected?
28. Have you considered a program to convert debt to equity at a future time?
29. Are there any unusual considerations in the loans you are seeking?
30. Have you determined the parameters of the various aspects of the loan (i.e. debt-equity ratio, interest cover interest rate, size and duration of loan, relationship between lender and borrower, risk of profit sharing, repayment terms, loan convertibility, subordinated rights, etc.).
31. Would independent parties grant the same loan under the same conditions?
32. Do your sources of lenders include any related persons or have a definite relationship such as board members or share holders?
33. Do you intend for the subsidiary company to be undercapitalized and that the loan from the parent company will be of a permanent nature or on a non-arms length basis?
34. Have you investigated the cost of similar loans from other parties?
35. How do you feel about forming an entity in a country that doesn't have certainties on taxation relating to cross border transfer price issues?