

## MEMORANDUM OF UNDERSTANDING

At the signing today of the Protocol Amending the Convention Between the Government of the United States of America and the Government of the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, Signed at Paris on August 31, 1994, as Amended by the Protocol Signed on December 8, 2004, the undersigned have agreed to define the mode of application of paragraphs 5 and 6 of Article 26 (Mutual Agreement Procedure) of the Convention, as further amended by the Protocol signed today, as follows:

In respect of any case where the competent authorities have endeavored but are unable to reach an agreement under Article 26 regarding the application of the Convention, binding arbitration shall be used to determine such application, unless the competent authorities agree that the particular case is not suitable for determination by arbitration. If an arbitration proceeding under paragraph 5 of Article 26 commences (the Proceeding), the following rules and procedures shall apply.

- a) The Proceeding shall be conducted in the manner prescribed by, and subject to the requirements of, paragraphs 5 and 6 of Article 26 and these rules and procedures, as completed by any other rules and procedures agreed upon by the competent authorities pursuant to subparagraph q) below.
- b) The determination reached by an arbitration panel in the Proceeding shall be limited to a determination regarding the amount of income, expense or tax reportable to the Contracting States.
- c) Notwithstanding the initiation of the Proceeding, the competent authorities may reach a mutual agreement to resolve a case and terminate the Proceeding. Correspondingly, a concerned person may withdraw a request for the competent authorities to engage in the Mutual Agreement Procedure (and thereby terminate the Proceeding) at any time.
- d) The requirements of subparagraph d) of paragraph 6 of Article 26 shall be met when the competent authorities have each received from each concerned person a statement agreeing that the concerned person and each person acting on the concerned person's behalf shall not disclose to any other person any information received during the course of the Proceeding from either Contracting State or the arbitration panel, other than the determination of the Proceeding. A concerned person that has the legal authority to bind any other concerned person(s) on this matter may do so in a comprehensive statement.

e) Each Contracting State shall have 90 days from the date on which the Proceeding begins to send a written communication to the other Contracting State appointing one member of the arbitration panel. The members appointed shall not be employees of the tax administration of the Contracting State which appoints them. Within 60 days of the date on which the second such communication is sent, the two members appointed by the Contracting States shall appoint a third member, who shall serve as Chair of the panel. If the members appointed by the Contracting States fail to agree upon the third member, these members shall be regarded as dismissed and each Contracting State shall appoint a new member of the panel within 30 days of the dismissal of the original members. The competent authorities shall develop a non-exclusive list of individuals with familiarity in international tax matters who may potentially serve as the Chair of the panel. In any case, the Chair shall not be a citizen of either Contracting State.

f) The arbitration panel may adopt any procedures necessary for the conduct of its business, provided that the procedures are not inconsistent with any provision of Article 26.

g) Each of the Contracting States shall be permitted to submit, within 60 days of the appointment of the Chair of the arbitration panel, a Proposed Resolution describing the proposed disposition of the specific monetary amounts of income, expense or taxation at issue in the case, and a supporting Position Paper, for consideration by the arbitration panel. Copies of the Proposed Resolution and supporting Position Paper shall be provided by the panel to the other Contracting State on the date on which the later of the submissions is submitted to the panel. In the event that only one Contracting State submits a Proposed Resolution within the allotted time, then that Proposed Resolution shall be deemed to be the determination of the panel in that case and the Proceeding shall be terminated. Each of the Contracting States may, if it so desires, submit a Reply Submission to the panel within 120 days of the appointment of its Chair, to address any points raised by the Proposed Resolution or Position Paper submitted by the other Contracting State. Additional information may be submitted to the arbitration panel only at its request, and copies of the panel's request and the Contracting State's response shall be provided to the other Contracting State on the date on which the request or the response is submitted. Except for logistical matters such as those identified in subparagraphs l), n) and o) below, all communications from the Contracting States to the arbitration panel, and vice versa, shall take place only through written communications between the designated competent authorities and the Chair of the panel.

- h) The presenter of the case to the competent authority of a Contracting State shall be permitted to submit, within 90 days of the appointment of the Chair of the arbitration panel, a Position Paper for consideration by the arbitration panel. Copies of the Position Paper shall be provided by the panel to the Contracting States on the date on which the later of the submissions of the Contracting States is submitted to the panel.
- i) The arbitration panel shall deliver a determination in writing to the Contracting States within six months of the appointment of its Chair. The panel shall adopt as its determination one of the Proposed Resolutions submitted by the Contracting States.
- j) The determination of the arbitration panel shall pertain to the application of the Convention in a particular case, and shall be binding on the Contracting States. The determination of the panel shall not state a rationale. It shall have no precedential value.
- k) As provided in subparagraph e) of paragraph 6 of Article 26, the determination of an arbitration panel shall constitute a resolution by mutual agreement under Article 26. Each concerned person must, within 30 days of receiving the determination of the panel from the competent authority to which the case was first presented, advise that competent authority whether that concerned person accepts the determination of the panel. In the event the case is in litigation, each concerned person who is a party to the litigation must also advise, within the same time frame, the relevant court of its acceptance of the determination of the panel as the resolution by mutual agreement and withdraw from the consideration of the court the issues resolved through the Proceeding. If any concerned person fails to so advise the relevant competent authority and relevant court within this time frame, the determination of the panel shall be considered not to have been accepted in that case. Where the determination of the panel is not accepted, the case may not subsequently be the subject of a Proceeding.
- l) Any meeting(s) of the arbitration panel shall be in facilities provided by the Contracting State whose competent authority initiated the mutual agreement proceedings in the case.
- m) The treatment of any associated interest or penalties is outside the scope of the Proceeding and shall be determined by applicable domestic law of the Contracting State(s) concerned.

n) No information relating to the Proceeding (including the panel's determination) may be disclosed by the members of the arbitration panel or their staffs or by either competent authority, except as permitted by the Convention and the domestic laws of the Contracting States. In addition, all material prepared in the course of, or relating to, the Proceeding shall be considered to be information exchanged between the Contracting States. All members of the arbitration panel and their staffs must agree in statements sent to each of the Contracting States in confirmation of their appointment to the arbitration panel to abide by and be subject to the confidentiality and nondisclosure provisions of Article 27 (Exchange of Information) of the Convention and the applicable domestic laws of the Contracting States. In the event those provisions conflict, the most restrictive condition shall apply.

o) The fees and expenses shall be borne equally by the Contracting States. In general, the fees of members of the arbitration panel shall be set at the fixed amount of \$2,000 (two thousand United States dollars) per day or the equivalent amount in euro, subject to modification by the competent authorities. In general, the expenses of members of the arbitration panel shall be set in accordance with the International Centre for Settlement of Investment Disputes (ICSID) Schedule of Fees for arbitrators (as in effect on the date on which the arbitration proceedings begin), subject to modification by the competent authorities. Any fees for language translation shall also be borne equally by the Contracting States. Meeting facilities, related resources, financial management, other logistical support, and general administrative coordination of the Proceeding shall be provided, at its own cost, by the Contracting State whose competent authority initiated the mutual agreement proceedings in the case. Any other costs shall be borne by the Contracting State that incurs them.

p) For purposes of paragraphs 5 and 6 of Article 26 and this paragraph, each competent authority shall confirm in writing to the other competent authority and to the concerned person(s) the date of its receipt of the information necessary to undertake substantive consideration for a mutual agreement. Such information shall be submitted to the competent authorities under relevant internal rules and procedures of each of the Contracting States. However, this information shall not be considered received until both competent authorities have received copies of all materials submitted to either Contracting State by the concerned person(s) in connection with the mutual agreement procedure.

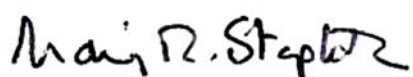
q) The competent authorities of the Contracting States may complete the above rules and procedures as necessary to more effectively implement the intent of paragraph 5 of Article 26 to eliminate double taxation.

This Memorandum of Understanding shall enter into force on the date of entry into force of the Protocol Amending the Convention Between the Government of the United States of America and the Government of the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, Signed at Paris on August 31, 1994, as Amended by the Protocol Signed on December 8, 2004, signed at Paris on January 13, 2009.

**IN WITNESS WHEREOF**, the undersigned, being duly authorized thereto, have signed this Memorandum of Understanding.

**DONE** at Paris, in duplicate, this thirteenth day of January, 2009, in the English and French languages, each text being equally authentic.

**FOR THE GOVERNMENT  
OF THE UNITED STATES OF  
AMERICA**



**FOR THE GOVERNMENT  
OF THE FRENCH REPUBLIC**

