

Verne, B. Michael

ITEM 5

From: [REDACTED]
Sent: Friday, December 09, 2005 2:43 PM
To: Verne, B. Michael
Subject: US Operations

Dear Mike:

I have some questions concerning whether certain license fee payments are to be included in Item 5 of the notification form as revenue derived from US operations. I thought it would be helpful briefly to describe the client's activities before speaking with you.

Our client, a US corporation, develops and markets engineering software. The client licenses its software products to customers in the US and outside the US. The intellectual property covering the core software products ("Core Products") is held by a US subsidiary. The client also has secondary software products ("Secondary Products"). The intellectual property covering the Secondary Products are held by a Canadian subsidiary and a UK subsidiary.

The client licenses the products in the following ways:

Sales in the US

1. The client licenses its Core Products directly to customers in the US, and receives 100% of the license fees. We will include this revenue in Item 5.
2. The client licenses its Core Products indirectly through third-party distributors to customers in the US, and receives 65% of the license fees. We will include the 65% received by the client in Item 5.
3. The client licenses its Secondary Products covered by the non-US IP directly to customers in the US, and receives 60% of the license fees (the remaining 40% is paid by the client to its non-US subsidiaries). Am I correct that we include only the 60% received by the client in Item 5?
4. The client licenses its Secondary Products covered by the non-US IP indirectly through third-party distributors to customers in the US, and receives 25% of the license fees (the remaining 75% is split between the distributor and the non-US subsidiaries). Am I correct that we include only the 25% received by the client in Item 5?

Sales Outside the US

5. The client licenses its Core Products directly to customers outside the US, and receives 100% of the license fees. Am I correct that we include this revenue in Item 5?
6. The client licenses its Core Products indirectly, either through its non-US subsidiaries and/or third-party distributors, to customers outside the US, and the client receives 65% of the license fees. Am I correct that we include only the 65% received by the client in Item 5?
7. The client licenses the Secondary Products covered by the non-US IP indirectly through third-party distributors to customers outside the US, and the client receives 25% of the license fees (the remaining 75% is split between the third-party distributor and the non-US subsidiaries that hold the

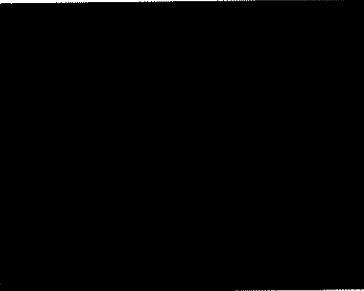
non-US subsidiaries). Am I correct that we include only the 25% received by the client in Item 5?

8. The client's non-US subsidiaries, either directly or through third-party distributors, license the Secondary Products covered by the non-US IP to customers outside the US. The client receives no license fee. Am I correct that we exclude all of the license fees derived by the client's non-US subsidiaries under this scenario from Item 5?

I'll plan to call you later today, or if it is more convenient for you, will be happy to correspond through email.

Thanks very much for your assistance.

Regards,



AGREE ON CORE PRODUCTS.
DO NOT REPORT MY
REVENUES ON THE SECONDARY
PRODUCTS.
B. Luchessa
12/2/03

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