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Verne, B. Michael

From: [REDACTED]
Sent: Thursday, May 04, 2006 12:36 PM
To: Verne, B. Michael
Subject: Question regarding net sales calculation

Mike,

Thank you again for helping me this morning with my question about the net sales calculation. I was wondering if you could please help me to confirm my understanding of the matter. If this is more properly done through a letter and request for an informal opinion, I would be happy to do that. Please let me know.

For a recap:

We have a client (involved in a potentially reportable transaction) that provides news via several Internet websites. Our client has agreements with many content providers/publishers ("publishers") who write or produce stories for our client's websites.

These agreements require our client to share a portion of the revenues derived from these websites with the publishers. The portion of revenues due the publishers I will call the "publisher revenues."

Per the agreements, our client delivers the publisher revenues to the publishers. However, the publisher revenues are included in the gross revenues stated on our client's annual income statement. If these revenues are not included in our client's net sales, our client would not meet the size-of-person test.

I understood from our conversation this morning that if the income statement contains a separate line item identifying the publisher revenues or a note to the financials identifying the publisher revenues, then the publisher revenues can be excluded from the net sales calculation for our client. Is my understanding correct?

Thanks,

[REDACTED]

YES - CORRECT
B. Michael
5/4/06

[REDACTED]

Visit our website at [REDACTED]

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