

**EXHIBIT C**

**TAXABLE SUBSIDIARY**

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As stated above, the Foundation's goal is to safeguard the open nature of the Internet such that it remains available to all users on a fair and reasonable basis. The wide adoption of the Mozilla open source software and documentation developed and/or produced by the Foundation and the standards adopted with the Foundation's assistance and/or leadership will be critical to fulfilling the goal of keeping the Internet a community resource. Thus, in addition to the steps that the Foundation plans to undertake (as described in the response to Part II, Question 1), the Foundation plans to form a wholly-owned taxable subsidiary whose purpose will be to conduct activities that promote the wide adoption of the Mozilla software, documentation and standards (the "Subsidiary"). By enhancing the Foundation's efforts at achieving wide adoption, the Subsidiary will substantially and directly further the Foundation's exempt purpose.

The Foundation plans to establish the Subsidiary as a separate legal entity with its own business purpose and an independent board of directors that will have the sole authority to determine its policies and manage its affairs. In addition, there will be no overlap in officers with managerial authority between the Subsidiary and the Foundation. Moreover, the Foundation will not intervene in the day-to-day management of the Subsidiary.

Following is a sampling of the additional activities that the Foundation believes to be necessary to the wide adoption of the Mozilla software, documentation and standards. These and similar activities would be undertaken by the Subsidiary, subject to the approval of its board of directors:

- Contracting with Internet access providers and computer makers to bundle the Mozilla software as part of their product offerings. One example would have the Subsidiary entering into an agreement with a computer maker to have the Mozilla web browser installed on computers sold by such maker. Such bundling arrangements would increase adoption of the Mozilla browser and other software.
- Contracting with retail stores for the sales of Mozilla software on compact discs.
- Contracting with specific user or group of users, both non-profit and for-profit, for expedited development of additional Mozilla software features for their use. In such instances, the Subsidiary would be in a position to negotiate with the requesting party as to the terms of the engagement, including the amount to be paid to the Subsidiary for performing the development work. Assuming that the parties reach agreement on the terms, the Subsidiary would perform the work and permit the requesting party to use the (modified) software.
- Providing technical support to users of customized Mozilla software. Such support typically takes the form of working with the users to identify software bugs (errors) and modifying the code to remedy the problem. Again, the specific

user would be required to compensate the Subsidiary for the technical support and the resulting bug fix (modified code) would be subject to the same requirement of being available to the general public as the rest of the Mozilla codebase.

By establishing the Subsidiary to undertake the foregoing and similar activities, the Foundation will insulate itself from liability that might arise out of such activities.