



SUMMARY OF VC-1 LICENSE TERMS¹

The VC-1 Patent Portfolio License is divided into two principal parts (see Diagram): (a) sublicenses for encoder and decoder manufacturers granting the right to manufacture and sell and a limited right only for personal consumer use by or between end users (such as in connection with a video teleconference or mobile messaging) but not other uses (left half of the Diagram)², and (b) sublicenses for video content or service providers granting them the right to use decoders and encoders for other uses of VC-1 video (right half of the Diagram).³

Further, the (a) encoder and decoder manufacturer sublicenses are divided roughly into two subcategories: (1) sublicense for branded encoder and decoder products sold both to end users and on an OEM basis for incorporation into personal computers but not part of an operating system⁴ and (2) sublicense for branded encoder and decoder products sold on an OEM basis for incorporation into personal computers as part of a computer operating system.⁵ The (b) content or service provider sublicenses are also divided roughly into two subcategories: (1) where an end user pays directly for video services, i.e., on a title-by-title or subscription basis⁶, and (2) where remuneration is from other sources, i.e., Free Television (VC-1 Video which constitutes television broadcasting which is sent to an End User/Consumer by an over-the-air, satellite and/or cable Transmission, and which is not paid for by an end user) and Internet Broadcast (VC-1

¹ The licensing terms summarized below are for informational purposes only. They are not an offer to license and may not be relied upon for any purpose. The VC-1 Patent Portfolio License provides the actual terms of license on which users may rely.

² Sections 2.1 and 2.6 of the VC-1 Patent Portfolio License.

³ Sections 2.2, 2.3, 2.4 and 2.5 of the VC-1 Patent Portfolio License.

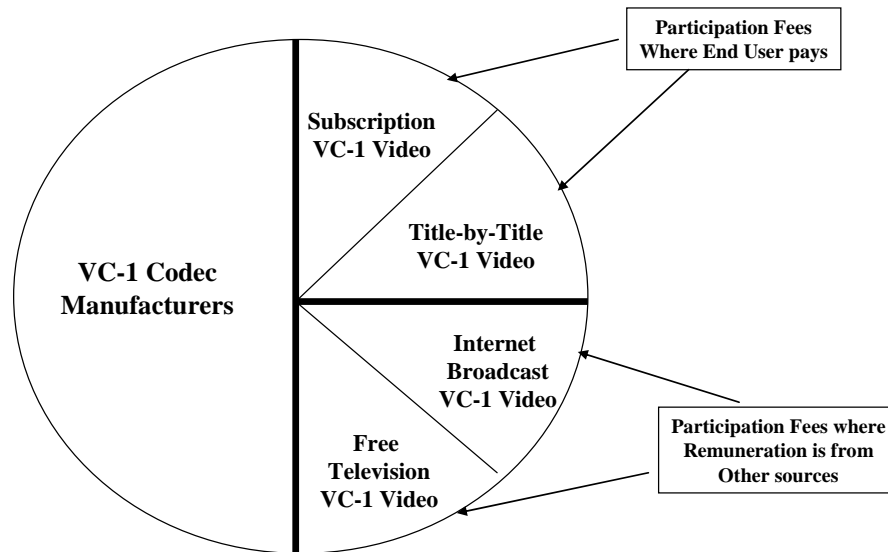
⁴ Section 2.1 of the VC-1 Patent Portfolio License

⁵ Section 2.6 of the VC-1 Patent Portfolio License

⁶ Sections 2.2 and 2.3 of the VC-1 Patent Portfolio License

video that is neither Title-by-Title VC-1 Video nor Subscription VC-1 Video but that is delivered to an End User and for which the End User does not pay remuneration for the right to receive or view, i.e., neither title-by-title nor subscription).⁷

Diagram: The left side of the Diagram below represents the (a) sublicenses for VC-1 codec, encoder, and decoder manufacturers, and the right side of the Diagram represents the (b) sublicenses for VC-1 video content or service providers.



In the case of the (a) encoder and decoder manufacturer sublicenses:

For (a) (1) branded encoder and decoder products sold both to end users and on an OEM basis for incorporation into personal computers but not part of an operating system (a decoder, encoder, or product consisting of one decoder and one encoder = “unit”), royalties (beginning January 1, 2006) per legal entity are 0 - 100,000 units per year = no royalty (this threshold is available to one legal entity in an affiliated group); US \$0.20 per unit after first 100,000 units each year; above 5 million units per year, royalty = US \$0.10 per unit. The maximum annual royalty (“cap”) for an enterprise (commonly controlled legal entities) is \$5 million per year 2006-2012.⁸

⁷ Section 2.4 and 2.5 of the VC-1 Patent Portfolio License

⁸ Section 3.1.1 of the VC-1 Patent Portfolio License

For (a) (2) branded encoder and decoder products sold on an OEM basis for incorporation into personal computers as part of a computer operating system, a legal entity may pay for its customers as follows (beginning January 1, 2006): 0 - 100,000 units/year = no royalty (available to one legal entity in an affiliated group); US \$0.20 per unit after first 100,000 units/year; above 5 million units/year, royalty = US \$0.10 per unit. The maximum annual royalty (“cap”) for an enterprise (commonly controlled legal entities) is \$8 million per year in 2006-2012.⁹

In the case of the (b) sublicenses for video content or service providers:

For (b) (1) where an end user pays directly for video services on a title-by-title basis (e.g., where viewer determines and pays for specific titles to be viewed), royalties for video greater than 12 minutes (there is no royalty for a title 12 minutes or less) are (beginning September 1, 2006) the lower of 2% of the price paid to the Licensee (on first Arms-Length Sale of the video) or \$0.02 per Title (categories of licensees include legal entities that are (i) replicators of physical media, and (ii) service/content providers (e.g., cable, satellite, video DSL, internet and mobile) of VOD, PPV and electronic downloads to end users).¹⁰ Where an end user pays directly for video services on a subscription-basis (not ordered or limited title-by-title), the applicable royalties per legal entity payable by the service or content provider are (beginning September 1, 2006) 100,000 or fewer subscribers during the year = no royalty; greater than 100,000 to 250,000 subscribers during the year = \$25,000; greater than 250,000 to 500,000 subscribers during the year = \$50,000; greater than 500,000 to 1,000,000 subscribers during the year = \$75,000; greater than 1,000,000 subscribers during the year = \$100,000.¹¹

For (b) (2) where remuneration is from other sources, in the case of free television (television broadcasting which is sent by an over-the-air, satellite and/or cable Transmission, and which is not paid for by an End User), the licensee (broadcaster which is identified as providing free television VC-1 video) may pay (beginning September 1, 2006) according to one of two royalty options: (i) a one-time payment of \$2,500 per VC-1 transmission encoder (applies to each VC-1 encoder which is used by or on behalf of a Licensee in transmitting VC-1 video to the End User) or (ii) annual fee per Broadcast Market¹² starting at \$2,500 per calendar year per Broadcast Market of at least 100,000

⁹ Section 3.1.6 of the VC-1 Patent Portfolio License

¹⁰ Section 3.1.2 of the VC-1 Patent Portfolio License

¹¹ Section 3.1.3 of the VC-1 Patent Portfolio License

¹² “Broadcast Market” refers to the “geographic area within which an End User could use an VC-1 Decoder to view Free Television VC-1 Video sent by a single transmitter or transmitter simultaneously with repeaters by a single Legal Entity.” Section 1.4 of the VC-1 Patent Portfolio License.

but no more than 499,999 television households (there is no annual fee for Broadcast Markets below 100,000 television households), \$5,000 per calendar year per Broadcast Market which includes at least 500,000 but no more than 999,999 television households, and \$10,000 per calendar year per Broadcast Market which includes 1,000,000 or more television households.¹³ In the case of Internet broadcast (VC-1 video that is neither Title-by-Title VC-1 Video nor Subscription Video but that is delivered via the Worldwide Internet to an End User for which the End User does not pay remuneration for the right to receive or view), there will be no royalty during the first Term of the License (ending December 31, 2012), and after the first Term the royalty shall be no more than the economic equivalent of royalties payable during the same time for Free Television VC-1 Video.¹⁴

In the case of the (b) sublicenses for video content or service providers, the maximum annual royalty (“cap”) for an enterprise (commonly controlled legal entities) is \$4.25 million per year in 2006-2008 and \$5 million per year in 2009-2012.¹⁵

The first term of the License runs through 2012, but the License will be renewable for successive five-year periods for the life of any Portfolio patent on reasonable terms and conditions which may take into account prevailing market conditions, changes in technological environment and available commercial products at the time, but for the protection of licensees, royalty rates applicable to specific license grants or specific licensed products¹⁶ will not increase by more than ten percent (10%) at each renewal.¹⁷

¹³ Section 3.1.4 of the VC-1 Patent Portfolio License. It is recognized that broadcasters in developing countries may have different circumstances to be considered. It is also recognized that there may be VC-1 Video services that qualify as Free Television VC-1 Video rather than Subscription VC-1 Video or Title-by-Title VC-1 Video where a nominal (but no other) payment is required or where other relevant circumstances taking into account the nature of the video service may apply.

¹⁴ Section 3.1.5 of the VC-1 Patent Portfolio License

¹⁵ Sections 3.1.2, 3.1.3, 3.1.4 and 3.1.7 of the VC-1 Patent Portfolio License

¹⁶ Except, since there is no royalty during the first term of the license for Internet Broadcast VC-1 Use granted pursuant to Section 2.5 of the VC-1 Patent Portfolio License and Section 3.1.5 specifically provides that the royalty for Internet Broadcast VC-1 Use following the first term shall be no more than the economic equivalent of royalties payable at that time for free television during the same time, royalties for the license for Internet Broadcast VC-1 Video Use granted pursuant to Section 2.5 are not subject to this limitation.

¹⁷ Section 6.1 of the VC-1 Patent Portfolio License