



**Incentive Program  
Guidelines  
Effective January 1, 2017**

**NOTICE:** THE STRUCTURE OF THE HEVC ADVANCE LICENSING PROGRAM, INCLUDING THE TERMS HEVC ADVANCE IS CURRENTLY AUTHORIZED TO OFFER IN ITS PATENT PORTFOLIO LICENSE AGREEMENT, ARE SUBJECT TO REVIEW AND CHANGE UNTIL A LICENSE IS EXECUTED. ACCORDINGLY, THE CURRENT STATEMENTS ON THIS SITE AND THE TERMS IN THE EXEMPLAR DOCUMENTS AVAILABLE FOR DOWNLOAD SHOULD NOT BE RELIED UPON AS A GUARANTEE OF FUTURE TERMS OR CONDITIONS OF THE HEVC ADVANCE LICENSING PROGRAM OR THE TYPES OF ENTITIES TO WHOM HEVC ADVANCE OFFERS A LICENSE AND/OR REQUIRES TO BE LICENSED. THE ONLY WAY TO GUARANTEE CURRENTLY-STATED TERMS FOR YOUR COMPANY IS TO EXECUTE A LICENSE DURING THE PERIOD IN WHICH SUCH TERMS ARE AVAILABLE.

# Incentive Program Guidelines, Effective 1/1/2017

HEVC Advance offers an incentive program for the initial 5 year term. This program is available to enterprises<sup>(1)</sup> that execute a HEVC Advance License Agreement within 12 months following the Date of First Sale of a HEVC Product or Commercial HEVC Content.

The Program has 2 Parts:

- In-Compliance License Signing Discount with Capped Royalties. The program offers a substantial Royalty Rate discount and annual Caps for HEVC Product and Commercial HEVC Content sales made prior to License Agreement execution (“Past Sales”).
- As shown in the following slides, the amount of discount varies depending upon how quickly the enterprise executes a HEVC License Agreement, and
- Ongoing 10% Royalty Discount. This program offers a 10% discount during the first 5 year License Agreement term for HEVC Product and Commercial HEVC Content sales made after License Agreement execution

## Incentive Program Guidelines, continued

In the event an enterprise has not executed a HEVC Advance License Agreement within 12 months following the Date of First Sale, Standard Rates shall apply for all Past Sales made prior to the date of License Agreement Execution, Caps are NOT available to such enterprise on such Past Sales, and the first term ongoing 10% discount is not available to such an enterprise.

(1) Certain exclusions apply to resellers/retailers/distributors.

# Incentive Program Guidelines, continued

HEVC Users which complete the licensing process within 12 months will be granted certain discounts in accordance with the following provisions:

- Start Date. Day 1 of the month following the actual Date on which the first HEVC Product or HEVC Commercial Content is sold
- Period 1 – Analysis/License Phase: 50% Discount and Caps eligibility for Past Sales/10% Ongoing Discount for first 5 year term
  - From the Start Date each HEVC user will have 6 months/2 quarters to analyze the HEVC Advance License Agreement and engage with the Licensing Administrator. Companies that are licensed within 6 months/2 quarters from the Start Date shall (i) receive a 50% discount on all royalties due for Past Sales made prior to the end of the quarter in which the License Execution Date occurs, (ii) be eligible for annual Caps at a 50% discount off the cap amounts set forth in the Updated Pricing List on such Past Sales and (iii) receive a 10% discount<sup>(1)</sup> on future sales starting in the quarter following the quarter in which the License Execution Date occurs through the period ending December 31, 2020

# Incentive Program Guidelines, continued

- Period 2 – License Phase: 35% Discount and Cap eligibility for Past Sales/10% Ongoing Discount for first 5 year term
  - Companies that are licensed after Period 1 but within 9 months/3 quarters from the Start Date shall (i) receive a 35% discount on all royalties due for Past Sales made prior to the end of the quarter in which the License Execution Date occurs, (ii) be eligible for Caps at a 35% discount off the cap amounts set forth in our Updated Pricing List on such Past Sales and (iii) receive a 10% discount<sup>(1)</sup> on all future sales starting in the quarter following the quarter in which the License Execution Date occurs through the period ending December 31, 2020

# Incentive Program Guidelines, continued

- Period 3 – License Phase: 20% Discount and Cap eligibility for Past Sales/10% Ongoing Discount for the First 5 year term
  - Companies that are licensed after Period 2 but within 12 months/4 quarters from the Start Date shall (i) receive a 20% discount on all royalties due for Past Sales made prior to the end of the quarter in which the License Execution Date occurs, (ii) be eligible for Caps at a 20% discount off the cap amounts set forth in our Updated Pricing List on such Past Sales and (iii) receive a 10% discount<sup>(1)</sup> on all future sales starting in the quarter following the quarter in which the License Execution Date occurs through the period ending December 31, 2020

Thereafter, unless the Licensing Administrator extends the Incentive Period at its sole discretion, the Licensee Incentive Program will no longer be available and Standard Rates (without Caps) shall apply for all Past Sales and no discount will be available on sales from License Execution Date through the period ending December 31, 2020

<sup>(1)</sup> The discount is not applicable during any period of “Non-Compliance” and in the event of any such Non-Compliance, the discount is forfeited for the period following such Non-Compliance (i.e. through December 31, 2020).

# Incentive Program – Summary – Effective 1/1/2017

	License Execution Period	Discount and CAP availability on <u>Licensee Past Sales made prior to License Execution</u>	Discount granted on future Licensee sales from License execution thru end of 1st 5 year term – CAPS Apply
Start Date	Day 1 of month following first sale		
Period 1 Analysis/License Phase	Initial 6 months /2 Quarters	50% (1) – CAPS Apply	10% (2)
Period 2 License Phase	After Period 1 but within 9 months / 3 Quarters	35% (1) – CAPS Apply	10% (2)
Period 3 License Phase	After Period 2 but within 12 months / 4 Quarters	20% (1) – CAPS Apply	10% (2)
After Period 3	After 12 months / 4 Quarters	No Discount – No CAPS Standard Rates Apply	No Discount In-Compliance royalty rates and CAPS apply for future sales (providing Licensee is In-Compliance)

(1) Discount from "In-Compliance" Rates. Discount taken from Total Royalties owed before discount. CAP amounts are similarly discounted at the same rates.

(2) Discount from "In-Compliance" Rates. Discount taken from Total Royalties owed before discount. CAP amounts remain unchanged (i.e. they are not discounted).

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 Thank You.

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