



Licensing Rates and Structure

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Summary of In-Compliance Royalty Rates With Trademark Discount

Hardware Device Categories	Examples	Main Profiles Royalty (Region 1/2)	Profile Extensions Any One (Region 1/2)	Profile Extensions All Three (Region 1/2)	Annual Category Cap
Mobile Devices	Mobile Phone, Tablet, Laptop PC	\$.40/\$.20	+.10/\$.05	+.25/\$.125	\$30M (All Mobile) \$20M (Excluding Phones)
Connected Home and Other Consumer Devices	<u>Consumer Products:</u> Set-Top Box, Game Console, Blu-Ray Player, Desktop PC, non-4k UHD+ TV, Software <u>Commercial Products:</u> Surveillance Cameras, Conferencing Products, Medical Imaging, Digital Signage	\$.80/\$.40	+.20/\$.10	+.50/\$.25	\$20MM
4K UHD+ TV	4K UHD+ TV	\$1.20/\$.60	+.30/\$.15	+.75/\$.375	\$20MM
} \$40MM Combined Cap					
Content Distribution Categories	Examples	Main Profiles Royalty (Region 1/2)	Profile Extensions Any One (Region 1/2)	Profile Extensions All Three (Region 1/2)	Annual Category Cap
Free-to-End User	Public TV, 100% Ad-Funded Commercial Broadcast TV and Internet Content Distribution	Waived (Free)	Waived (Free)	Waived (Free)	N/A
Subscription	OTT Subscription, Cable TV, Satellite TV	Per Subscriber/Month 2016-17: \$.005/\$.0025 2018-19: \$.015/\$.0075 2020+: \$.025/\$.0125	Included in Main Profile	Included in Main Profile	\$2.5MM
Title-by-Title	Pay-Per-View, OTT Streaming Rental, Download to Own	Per Title \$.025/\$.0125	Included in Main Profile	Included in Main Profile	\$2.5MM
Digital Media Storage	Blu-Ray Disc, other storage devices	Per Media/Title \$.025/\$.0125	Included in Main Profile	Included in Main Profile	\$2.5MM
} \$5MM Combined Cap					

Content Distribution

Licensing Rates and Structure

Key Concepts – Content Distribution

Royalties only on commercial content distributed with fee charged to End User/Consumer

- Royalties on Subscription, Title-by-Title and Digital Media Storage sales
- Royalties waived for “Free-to-User” content (e.g., 100% ad-funded, Free Public Service Broadcasts, etc.) distributed by any means (e.g., internet streaming, satellite, OTA, etc.)

Royalty caps to limit costs for licensees

- Category caps benefit more licensees
- Aggregate cap for multi-category licensees
- Caps apply to entire enterprise (i.e., a Legal Entity and all affiliates)

Key Concepts – Content Distribution, continued

Who is Licensee?

- For Subscription and Title-by-Title: Licensee is Entity selling content to consumer
- For Digital Media Storage Sales: Licensee is Studio, content owner
- For Digital Media Storage Rentals: Licensee is Rental firm

Royalty Market adoption drivers

- 50% royalty reduction in emerging markets (Region 2)
- Subscription royalties “phase in” from ½ cent/subscriber/month in 2016 to 2.5 cents/subscriber/month in 2020

Royalty rates include all main and advanced profiles (no extra charge)

Significant discounts offered for Licensees that execute HEVC Advance License within the designated period and remain “In-Compliance”

- See Incentive Plan/Royalty Discounts

Content Distribution – Royalty Summary

Content Distribution Category	Licensee	Royalties* All Profiles/Extensions	Annual Category Caps	Annual Enterprise Caps and Credits
Free Public Service TV Broadcast (All Means of Distribution)	Public Service Broadcaster	Royalties Waived Includes Must Carry Retransmissions	N/A	<u>Annual Content Distribution Enterprise Cap</u> \$5MM <u>Annual Enterprise Credit</u> \$25,000
Free-to-End User Commercial Content (All Means of Distribution)	Content Distributor	Royalties Waived	N/A	
Title-by-Title	Content Distributor that receives payment from the End User	<u>Per Title</u> 2.5¢/1.25¢	\$2.5MM	
Subscription	Content Distributor that receives payment from the End User	<u>Per Subscriber/Month</u> 2016-17: \$.005/\$.0025 2018-19: \$.015/\$.0075 2020+: \$.025/\$.0125	\$2.5MM	
Digital Media Storage	Content Creator-Studio for Sales Rental Firm for Rentals	<u>Per Disk/Title</u> \$.025/\$.0125	\$2.5MM	

Note: \$1MM = \$1,000,000

* Royalties shown are Region 1/Region 2

Content Category Definitions

“Title-By-Title HEVC Content”

- Commercial HEVC Content distributed to an End User in connection with the End User’s request for the specific content represented by the Title of such Commercial HEVC Content including, but not limited to, pay per view video.

“Subscription HEVC Content”

- Commercial HEVC Content distributed to an End User on a subscription basis. An example of this would be a satellite or cable service that provides paid access to a collection of content or a package of channels for a specified period of time.

“Digital Media Storage”

- Commercial HEVC Content distributed to an End User via some kind of digital media storage. An example of this would be a Blu-Ray disc or hard drive containing HEVC-encoded movies.

“Title”

- An identification given to a segment of HEVC Content that generally concerns a related topic or topics and has what is generally considered to be a beginning and an end. By way of example only, a Title shall include a motion picture, a television show, a sporting event, a news broadcast, and categories of “short features” such as movie trailers, sports highlights, news updates.

Notes – Content Distribution

- Royalty waivers apply for the life of the HEVC Advance program.
- To obtain the waiver, a License Agreement must be executed. However, HEVC Advance may, in its sole discretion, waive such requirement.
- If the enterprise provides both Free-to-End User and content distribution for which End Users pay fees (such as Subscription or Title-by-Title charges), royalties are waived only on Free-to-End User content distribution.
- The royalty waiver for Free-to-User Commercial Content distribution does not apply to the retransmission of such content where a fee is charged to the End User.

Notes – Content Distribution, continued

- Box sets and bundled HEVC Content will owe a separate royalty for each Blu-Ray or other optical disc. In the case of other digital media (e.g., video pack) which contain multiple titles, a royalty is due for each title.
- A sale of an optical disk that includes rights to access a digital copy of the title would owe a single royalty.
- For rentals, a royalty is due for each individual rental to an End User.
- Royalties are waived for individual titles of 12 minutes or less.
- A Royalty is owed for each paid subscription which provides End User access to HEVC Content.
- Royalty rates shown are In-Compliance Rates and include a 25% discount from our Standard Rates.
 - Example: In-Compliance Rate = 2.5¢.
 - The Standard Rate would be 3.33¢ ($2.5¢/75\% = 3.33¢$).

HEVC Device

Licensing Rates and Structure

Key Concepts – Device Licensing

Three device categories

- Mobile Devices
- 4K+/UHD TVs
- Connected Home and Other Devices
 - Consumer Products, such as: Set-Top Box, Game Console, Blu-Ray Player, Desktop PC, non-4k UHD+ TV, Software
 - Commercial Products, such as: Surveillance Cameras, Conferencing Products, Medical Imaging, Digital Signage
 - Commercial Products excluded from the expansion include products such as broadcast cameras or commercial servers that decode, encode, or transmit Commercial HEVC Content.
- Primary model is licensing HEVC decoders/encoders installed on new devices
- Intent is to be paid once per HEVC Product, regardless of how many general purpose HEVC video players are incorporated into such product at First Sale

Key Concepts – Device Licensing, continued

- HEVC Advance will work with major operating system and web browser/media player providers to remove barriers to adoption
- Main, Main Still and Main 10 profiles included in base rates
 - Advanced Profiles (RExt, MV-HEVC and SHVC) separate and optional
 - Optional features (e.g., SEI messages) separate and optional
- Licensee is the manufacturer of consumer products or commercial products intended for use with non-commercial content
- Royalty reduction (50% discount) on devices sold in emerging markets (Region 2)
- Significant discounts offered for Licensees that execute HEVC Advance License in accordance with timeline set forth in our Incentive Program and that remain “In-Compliance”

Device Pricing Summary

Device Category	Per-Device Royalty* Main Profiles	Advanced Profiles (Each)	Advanced Profiles (All Three)	Annual Device Category Caps	Annual Enterprise Credits and Caps
Mobile Devices	\$0.40/\$0.20	+\$0.10/0.05	+\$0.025/0.125	\$30MM (All Mobile) \$20MM (Excluding Phones)	<u>Annual Device Enterprise Cap</u> \$40MM <u>Annual Enterprise Credit</u> \$25,000
Connected Home and Other Devices	\$0.80/\$0.40	+\$0.20/0.10	+\$0.50/0.25	\$20MM	
4K UHD+ Television	\$1.20/\$0.60	+\$0.30/0.15	+\$0.75/0.375	\$20MM	



Note: \$1MM = \$1,000,000

*Royalties shown are Region 1/Region 2

Device Category Definitions

“Mobile Device”

- A Mobile Phone and Other Mobile device.

“Mobile Phone”

- A portable/pocketable handheld device with a primary function of person-to-person voice, text and video communication and which is sold with and/or is primarily intended to be used with a mobile network operator’s voice plan.

“Other Mobile Device”

- A portable computing device (e.g., a tablet, laptop computer, eBook, etc.) which is not a Mobile Phone, even if the Other Mobile device supports person-to-person communication.

“Connected Home and Other Devices”

- Consumer devices or products (e.g., Set-Top Boxes, Game Consoles, Blu-Ray Player, Desktop PC, non-4k UHD+ TV, Software) as well as Consumer products that are not Mobile Devices, 4k+ UHD Televisions, HEVC Software or HEVC Content.
- Commercial devices or products (e.g., Surveillance Cameras, Conferencing Products, Medical Imaging, Digital Signage), excluding those designed or intended primarily for encoding and/or decoding HEVC Content that is not Commercial HEVC Content.
- Software distributed independent of a device, including applications, operating systems, web browsers and special purpose HEVC players.

“4K UHD+ Television”

- A television, projector or other similar display device capable of providing a resolution of 3840 x 2160 pixels or greater with at least 30 bit color (UHD).

Notes – Device Licensing

- Multiple HEVC encoders and/or decoders installed in a new End User consumer device will generally incur a single royalty fee at the highest applicable rate upon the device's First Sale. "First Sale" means a device that is sold by a manufacturer, either directly or indirectly, through a line of commerce to an End User for the first time.
- Royalty rates shown above are In-Compliance rates. In-Compliance rates include an In-Compliance 25% discount, and a separate, non-additive 10% discount for use of the HEVC Advance Trademark on HEVC Device packaging.
 - Example: In-Compliance and HEVC Trademark Mobile Device Rate = \$0.40.
 - The In-Compliance/non-HEVC Trademark royalty rate would be \$0.444 ($\$0.40/90\% = \0.444).
 - The Standard Rate would be \$0.53 ($\$0.40/75\% = \0.533).

Optional Patents

Royalty Rates and Structure

Optional Feature Pricing Summary

Device Type	Optional Features Pricing (Region 1/ 2)	Annual Category Caps	Annual Optional Features Enterprise Cap
Mobile Devices	\$0.04/\$0.02	\$1MM	\$2MM
Connected Home and Other Devices	\$0.04/\$0.02	\$1MM	
4K UHD+ Television	\$0.08/\$0.04	\$1MM	

Notes – Optional Features Licensing

- The HEVC Optional Features license for Essential Patents is an optional addendum to the HEVC Advance Patent Portfolio License.
- For Optional Features, HEVC Advance licenses “Essential Patents on Optional Features” which means any patent claim covering a feature described in the HEVC Standard which is not required to be implemented in an HEVC Product, but, if the feature is implemented, must be implemented within the scope of the HEVC Standard and necessarily or unavoidably infringes such patent claim.
- Fees are in addition to any other HEVC Royalties.
- Caps on Optional Feature royalties are separate from and not additive with other HEVC Advance Category, Aggregate or Enterprise Caps.
- Fees for distributed HEVC Content encoded with Optional Features are waived under the Optional Features License. To obtain the waiver, the Optional Features License must be executed.

General Information

Licensing and Structure

Notes – General Licensing

Region Definitions:

- Region 1 = U.S., Canada, EU, Japan, S. Korea, Australia, New Zealand, etc. See complete list on our website.
- Region 2 = All countries outside of Region 1.

If there are no patents in the country of manufacture and also no patents in the country of sale, then no royalties are due for HEVC content distribution or HEVC devices.

Royalty waivers require execution of a License Agreement subject to certain exceptions. Please contact HEVC Advance for additional details.

Notes – General Licensing, continued

Annual Enterprise Credit

- A single Annual Enterprise Credit applies to all enterprises for royalties owed under both content and device categories.
- Entities owing royalties of less than \$25,000 annually do not need to execute a License Agreement, subject to certain exceptions.
- The credit of \$25,000 annually is provided in four equal quarterly installments of \$6,250 each.

Annual Royalty Caps

Summary

Cap Structure

The Cap Structure includes separate Category Caps for each Device and Content Category and separate Enterprise Caps for Device, Content and Optional Features Categories.

All caps apply to total royalties due on world-wide sales for a single enterprise (i.e., a Legal Entity and its affiliates).⁽¹⁾

All caps reset annually on January 1st of each year.

⁽¹⁾ Caps do not apply to resellers/retailers/distributors.

Notes – Annual Royalty Caps

- All Category Caps are separate from and additive with each other up to the applicable In-Compliance Content Distribution, Device, or Optional Features Enterprise Caps.
- All In-Compliance Enterprise Caps are separate from and additive with each other.
- Caps apply only during those quarterly reporting and payment periods in which a licensee is In-Compliance.
- Royalties owed at Standard Rates do not accrue against any Category or Enterprise Caps for Devices, Content Distribution or Optional Features.

In-Compliance Provisions

Licensing Rates and Information

In-Compliance Provisions/Standard Rates

To be In-Compliance and therefore eligible for In-Compliance royalty rates and caps on the sale of HEVC Devices and/or the distribution of HEVC Content, both prior to and after execution of the HEVC Advance Patent Portfolio License, each prospective Licensee must:

- Execute HEVC Advance Patent Portfolio License within the In-Compliance License Signing Guidelines (see www.hevcadvance.com), and
- After such License execution, materially comply with the terms and conditions of the HEVC Advance Patent Portfolio License.

In-Compliance Provisions/Standard Rates, continued

- Standard Rates apply to Companies that owe royalties on prior sales, but do not execute an HEVC Advance Patent Portfolio License within the In-Compliance License Signing Guidelines.
- Standard Rates do not accrue against any caps.
- Standard Rates apply for the whole of any prior, current or future quarterly period in which a Licensee is not In-Compliance
- Standard Rates do not include the 25% In-Compliance discount during any quarterly period in which Standard Rates apply.

Software Licensing

General Summary

Notes – Software Licensing

- Royalties for HEVC Software distributed independent of a device are due at Connected Home and Other Device royalty rates, unless the software is received directly from the device manufacturer and incorporates tracking and verification features to ensure that it only operates on the particular device on which it is first installed. In such cases, the royalty due for such software shall be at the applicable HEVC Device category royalty rate.
- Royalties for HEVC Software in the form of a software update within the same version distributed to an existing HEVC Device for which the Licensee can verify the applicable HEVC royalty has been paid are waived subject to separate agreement with HEVC Advance.

Notes – Software Licensing, continued

- Royalties for HEVC Software in the form of a Special Purpose HEVC Player are waived if the HEVC Software does not enable a non-HEVC Device or activate a disabled HEVC Device to decode HEVC Commercial Content, subject to a separate agreement with HEVC Advance. Otherwise, royalties are owed at the applicable HEVC Software royalty rate.
 - A Special Purpose HEVC Player is a HEVC decoder included in a software application that is provided to an End User by a branded HEVC Content distributor and that only decodes for display HEVC Content received from such branded HEVC Content distributor.
- In-Compliance Category and Device Enterprise Caps do not apply to HEVC Software of any kind (applications, Operating Systems, Browsers, media players including Special Purpose HEVC Players, etc.) distributed to an End User independent of a First Sale except as separately agreed to with HEVC Advance in cases such as:
 - The HEVC Software is sold as part of a separate, individual, stand-alone product, such as Video Editing software, which is not intended for use as a general purpose video player, or
 - A software upgrade to a new version to an existing HEVC Device for which the licensee can verify the applicable HEVC Device royalty has been paid.

 Thank You.

28 State Street, Suite 3202, Boston, MA 02109 USA | +1 617.367.4802 | www.hevcadvance.com

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