Before the
COPYRIGHT ROYALTY BOARD
LIBRARY OF CONGRESS
Washington, D.C.

In the Matter of ADJUSTMENT OF RATES AND TERMS FOR PREEXISTING SUBSCRIPTION SERVICES AND SATELLITE DIGITAL AUDIO RADIO SERVICES	)	Docket No. 2006-1 CRB DSTRA

TESTIMONY OF

LAWRENCE KENSWIL

President of Universal eLabs,
a division of Vivendi Universal's Universal Music Group

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DIRECT TESTIMONY OF LAWRENCE KENSWIL

Background and Qualifications

I am the President of Universal eLabs, a division of Vivendi Universal's Universal Music Group ("UMG"). I have headed eLabs from its founding in January 1999. Previously, I was UMG's Executive Vice President, Business and Legal Affairs. I sit on the Board of Directors of the Recording Industry Association of America and, previously, the Board of the International Federation of the Phonographic Industry.

Universal eLabs is dedicated to exploring, developing, and evolving global business and new technology strategies to deliver music to consumers in innovative ways. eLabs is comprised of a team of business, legal, and technical professionals devoted to developing, implementing, and operating new music products, programming and digital distribution initiatives across all emerging technology and convergence platforms, including Internet, mobile, physical, kiosk, home networking and set-top box systems. As President of eLabs, I oversee all of UMG's efforts to license sound recordings for electronic distribution.

About Universal Music Group

UMG is the world's largest music company with a history dating back to the 19th century. In 2005, UMG held a 31.7% share of the domestic recorded music market.

UMG includes an extensive and diverse collection of music labels — including Decca Record Company, Deutsche Grammophon, Interscope Records, Geffen Records, A&M Records, Island Records, Def Jam Records, Lost Highway Records, MCA Nashville, Mercury Nashville Records, Motown Records and Universal Records — and artists — including Beck, Black Eyed Peas, Bon Jovi, Sheryl Crow, Dr. Dre, Eminem,

Jay-Z, Diana Krall, Nelly, No Doubt, Gwen Stefani, Shania Twain, Stevie Wonder, and Sting.

UMG International operates directly or through joint ventures and licensees in 77 countries. Universal Classics Group is responsible for more than 40% of world sales in the classical music genre, and Verve Music Group is the world's largest jazz recording company. Universal Music Publishing Group owns or administers more than one million copyrights.

The Electronic Distribution Market

The Rapid Development of New Ways to Consume Music

Recognizing the considerable growth in the electronic distribution market and the potential for more in the coming months and years, UMG is transforming from a "record company" to a "music entertainment company." UMG's annualized revenues from electronic distribution of recorded music in the United States have grown from near zero a few years ago to approximately $170 million[1] as of the first half of 2006. Universal Music Mobile, a division of UMG, was a pioneer in fusing recorded music and the burgeoning mobile phone market.

Whereas in the past UMG focused almost exclusively on selling CDs and other physical product, the future for UMG is about receiving a fair return from multiple revenue streams. Consumers now enjoy music in more ways than ever before — satellite radio, satellite and cable T.V. services, permanent digital audio downloaded tracks and albums, streaming and conditional downloads, and webcasting, mobile and wireless services, video services, and sales of other digital products (e.g., ringtones). We at UMG

[1] The information in this testimony that has been marked as restricted is proprietary and commercially sensitive information that is not generally known to the public.

are hopeful that the revenues from all of these uses of music will, in the long run, more than compensate for any lost physical sales. Because consumers value the ability to purchase music in many forms and access music from almost everywhere, UMG believes that the evolution to electronic distribution — while challenging at first for many reasons, not the least of which is digital piracy — will ultimately expand the market for music and augment UMG's revenue from sound recordings.

Digital piracy over the last few years has posed a serious threat to the industry, with physical sales declining in five of the last six years, at the same time that the economy has been growing. According to RIAA data, sales of CDs in the United States have declined 25.2% from 2000 to 2005. SX Ex. 004 DP. At the same time, the costs of identifying, developing and promoting the artists that consumers want to hear (the core of UMG's business) have not changed. Consequently, the importance of a fair return from all of these different markets cannot be overstated.

In addition, although these new revenue streams sometimes provide additional compensation for UMG, they also can substitute for sales of other UMG products, including CDs. This includes satellite radio and the pre-existing "over T.V." services. There is only so much time in the day for people to spend listening to music. With 70 or more music channels offering niche programming, satellite radio is "narrowcasting," not broadcasting. Because of the number of channels and its enormous variety, satellite radio and the other services can provide consumers with exactly the mood or genre of music that they want at a particular time, reducing the need of consumers to purchase CDs, downloads and subscription services. With such tremendous breadth and high digital audio quality, these services substitute for the other ways that people experience music —

not only for CDs, from which the record companies currently make most of their sales, but also for other digital services from which UMG derives increasingly important and substantial revenue.

UMG's Approach to Licensing

UMG's approach to licensing digital rights has evolved over time. For a period, UMG sought to license legitimate new services in the marketplace in order to create competition with peer-to-peer networks on which people could illegally download UMG sound recordings. But times have changed, and there are now many legitimate services distributing music in different forms.

In selling and licensing its products, UMG seeks to protect its sound recordings from piracy and to receive a fair return according to the value that consumers place on them. UMG does not enter into agreements for broad or blanket licenses of its catalog in the hope that it will "promote" sales of CDs or another revenue stream. Rather, UMG tries to maximize each and every revenue stream. UMG does not view as promotional the commercial exploitation by others of the very product that it seeks to sell. In attempting to price UMG's products consistent with the value to the consumer, UMG considers both the means by which its sound recordings will be distributed and how those recordings will be enjoyed by the consumer.

The Development of Portability and Wireless Services

One of the most significant developments in the digital marketplace is the availability of music via portable devices and wireless networks. In addition to consumers' traditional choice of which artists to listen to, consumers are beginning to choose when and where they want their music content delivered. Since the introduction

of the first mp3 player, consumers have been able to download music to their computers, transfer it to a portable device and take the music with them. Now consumers also can access and acquire music from anywhere, through the ever-improving wireless networks that are offering audio and video content.

Exploitation (often by others) of UMG's content is directly related to the expansion of these wireless networks. Wireless carriers need audio and video content to attract wireless customers to more expensive data packages (often an additional $15-25 per month) and new cell phones. For them, music is a key component to selling subscriptions and equipment. Thus, they are racing to offer as much content as possible.

The market has already shown that consumers will pay a substantial sum (in addition to paying for a wireless service and a cell phone) to be able to access music and other content anywhere at any time. Consumers already pay a monthly premium of about $5 for portable subscription services (over the monthly price for non-portable subscription services). And in the nascent market for audio and video downloads to mobile phones, sales figures from around the world and the initial trials in the United States indicate that the mobile consumer is willing to pay significantly more than the PC-based consumer of digital content.

In sum, UMG views the wireless transmission of music to be of enormous value to consumers. Indeed, UMG licenses distribution of its content over wireless networks separately from licensing for services that allow access only over fixed lines. This ensures that UMG receives fair value for the music that it provides and that consumers enjoy. The value that consumers place on portable and mobile functionality is reflected

in UMG's marketplace agreements because UMG's pricing — the rates UMG charges its licensees — is based on the value of the service to consumers.

And the same is true of satellite radio. Whether in the car or with the many available wireless hand-held devices, satellite radio subscribers can enjoy their music anytime and anywhere. Accordingly, just as our marketplace dealings show a very significant premium for wireless delivery — both in terms of what consumers are willing to pay the services and what the services pay UMG for the use of our music — the same should be true of the satellite radio services. That consumers are willing to pay $12.95 per month for a base subscription to satellite radio shows the high value of these types of services to subscribers. It follows that the record companies are entitled to their fair share of that added consumer value as well.

Value of Marketplace Agreements

When UMG licenses its sound recordings in the marketplace for digital distribution, UMG requires licensees to pay not only reasonable royalty fees, but also to meet extensive security requirements, provide audit rights, and offer guaranteed promotional consideration. While many of these forms of consideration are difficult to quantify, there is no question that, in their absence, UMG would require additional compensation.

There are a number of ways in which these considerations are manifested in UMG's licensing practices:

First, UMG typically requires licensees to pay a royalty rate that ensures UMG the greater of three different calculations: (a) a per stream fee for each UMG sound recording streamed, (b) UMG's pro rata share of a percentage of the licensee's revenues,

or (c) a per subscriber per month minimum adjusted for UMG's pro rata share. The pro rata share refers to the ratio of UMG sound recordings streamed or played to the total number of sound recordings streamed or played.

This three-part "greater of" rate structure is extremely important to UMG and is a key point in its negotiated agreements. Digital distributors entering into agreements with UMG receive a very valuable right — the right to use UMG's vast catalog of sound recordings as the basis of their business. The "greater of" formula ensures that UMG and its artists receive fair value for their sound recordings. That is especially true in a rapidly growing market. Without a percentage of revenue as part of the royalty formulation, UMG and its artists would not be compensated fairly in the case of a service that has high margins but relatively low use of sound recordings; even if rarely used, the ability to access UMG's catalog at any time has significant consumer value. Similarly, without a substantial per play rate and a per subscriber minimum, a service could charge discounted rates to users, but monetize their service in other ways — such as by using music to attract users to their service in order to earn advertising revenues or sell other products.

Second, UMG's voluntary licensing agreements include guaranteed promotional considerations. These specific promotional considerations in UMG's free market agreements contrast with the unsubstantiated claim that digital distribution services are, in the aggregate, "promotional" — something which I have seen no evidence to suggest. In any event, even if it were promotional in one way or another, that does not mean that UMG would or should sell its content at a discount.

Third, UMG's voluntary licensing agreements provide UMG the capacity to approve the devices that deliver its content. Device approval is important because new

technology has made wireless access and portability important aspects of the electronic distribution marketplace. UMG's ability to contractually monitor delivery devices is a valuable, even essential, component of the voluntary license.

Fourth, UMG's marketplace agreements require licensees to submit service fee reports regarding users' consumption of sound recordings. These detailed reports assist UMG in understanding its consumers and provide UMG with complete information about how its sound recordings are being used. UMG needs access to similar information where its sound recordings are being used under a statutory license.

Fifth, UMG's voluntary agreements provide extensive security protections, including guarantees and audit rights. Considering the proliferation of streamripping software, and UMG's ongoing battle with piracy of all types (including peer-to-peer file sharing), these required security protections are of great importance to UMG. Indeed, security guarantees are primarily responsible for ensuring that piracy does not turn a stream into a permanent download that would replace a sale. While security guarantees are not foolproof, they are important to combating copyright infringement, and security technology is always improving.

Sixth, another important aspect of UMG's voluntary agreements is its extensive audit rights.

Finally, UMG does not enter multi-year licensing agreements (like the 5-year or 6-year statutory license) in such a rapidly evolving market. Most of UMG's agreements are for 2 years or less. A licensee seeking a deal of longer than three years would have to agree to much higher payments, or performance-based escalations, in the later years of the contract before UMG would consider a license.

New Media Agreements

Over the past few years, UMG has entered into agreements for a wide variety of digital rights, including Interactive Streaming and Conditional Downloads (tethered and portable), Video Streaming, Permanent Audio Downloads, and Mobile/Wireless Services. Below, I provide some representative examples of the agreements for these services.

Subscription Services (On Demand Streaming and Conditional Downloads)

UMG licenses a number of services that provide consumers with streams or conditional downloads of sound recordings. These services are interactive or "on-demand" (*i.e.*, the user can choose the specific song or album to download or stream) and are conditional (*i.e.*, the user may download the song to a PC and then play the song at will only so long as the subscription is in effect).

The conditional downloads are either non-portable or portable. With a non-portable service, a user can only listen to the music (whether as a conditional download or a stream) on a personal computer or other approved home device. Often, the same companies both offer interactive and non-interactive versions of these services. Rhapsody, for example, offers a non-portable interactive subscription service for $9.99 per month and a non-portable, non-interactive service pursuant to the DMCA for $4.99 per month (with discounts for annual subscribers).

A portable subscription service, by contrast, is quite a bit different. With a portable service, a user may transfer the conditional download onto a portable device that includes software to prevent further copying. Thus, users get the significantly more valuable portability function. Rhapsody offers its portable subscription service, Rhapsody To Go, for $14.99 per month.

Non-portable Services

UMG has granted licenses to numerous non-portable services. [[redacted]].

Portable Services

As discussed above, consumers pay a premium for services that offer portability. UMG's agreements with webcasters who operate portable subscription services reflect that value, and UMG receives higher royalties. UMG has entered into a few agreements with companies that operate portable services. [[redacted]].

Video Streaming

UMG has pioneered the monetization of music videos on demand. The switch from seeing videos as promotional to recognizing that they are an important revenue stream mirrors similar developments throughout the electronic distribution market.

UMG's licenses for video agreements are a useful comparison for determining the market value of the content because all video agreements — whether non-interactive or interactive — are entirely market-driven. There is no compulsory license negatively affecting UMG's free market decisions. Among other things, UMG has complete control over the videos that it will release as part of these agreements. [ ].

For 2006, UMG has generally licensed music video streaming for royalties equal to [ ].

Permanent Audio Download

UMG has entered into numerous permanent audio download agreements that allow services to sell individual sound recordings to users on the Internet. The common retail price for these downloads is $0.99, although some services offer a discounted price for permanent downloads to subscribers. [

[redacted]

Mobile/Wireless Services

The market for wireless music services is developing rapidly. As discussed above, all signs are that consumers value the ability to receive music over wireless devices very highly, and that, in the marketplace, record companies have negotiated higher license rates for delivery of sound recordings to wireless devices. In negotiated agreements, UMG receives higher rates for downloads to wireless devices and video streaming over wireless networks than it does for downloads and video streaming to personal computers.

Cell Phone Tones (Ringtones and Mastertones)

Users download ringtones — digital versions of sound recordings — and use them as the ringer on their cell phones. Mastertones are ringtones that sound identical to the master sound recording (typically a portion of a sound recording under 30 seconds). [redacted]

Wireless Audio Downloads

UMG is negotiating with a number of companies to offer wireless audio downloads. [redacted]

[redacted]

[redacted]].

I declare under penalty of perjury that the foregoing testimony is true and correct to the best of my knowledge and belief.

Lawrence Kenswil

Date: 10/26/06

SX Exhibit 004 DP

2005 Year-End Statistics

1330 Connecticut Avenue, NW, Suite 300, Washington, D.C. 20036
202-775-0101

Manufacturers' Unit Shipments and Retail Dollar Value
(In Millions, net after returns)

Physical

	1995	1996	1997	1998	1999	2000	2001	% CHANGE 2000-2001	2002	% CHANGE 2001-2002	2003	% CHANGE 2002-2003	2004	% CHANGE 2003-2004	2005	% CHANGE 2004-2005
(Units Shipped) CD[1]	722.9	778.9	753.1	847.0	938.9	942.5	881.9	-6.4%	803.3	-8.9%	746.0	-7.1%	767.0	2.8%	705.4	-8.0%
(Dollar Value)	9,377.4	9,934.7	9,915.1	11,416.0	12,816.3	13,214.5	12,909.4	-2.3%	12,044.1	-6.7%	11,232.9	-6.7%	11446 5	1.9%	10,520.2	-8.1%
CD Single	21.5	43.2	66.7	56.0	55.9	34.2	17.3	-49.4%	4.5	-74.1%	8.3	84.5%	3.1	-62.2%	2.8	-12.1%
	110.9	184.1	272.7	213.2	222.4	142.7	79.4	-44.4%	19.6	-75.4%	36.0	83.6%	14.982	-58 4%	10.9	-27.0%
Cassette	272.6	225.3	172.6	158.5	123.6	76.0	45.0	-40.8%	31.1	-30.9%	17.2	-44.7%	5.2	-69.6%	2.5	-52.6%
	2,303.6	1,905.3	1,522.7	1,419 9	1,061 6	626 0	363 4	-41.9%	209.8	-42.3%	108 1	-48.5%	23.7	-78.1%	13.1	-44.9%
Cassette Single[2]	70.7	59.9	42.2	26.4	14.2	1.3	-1.5	-215.4%	-0.5	-68.0%	N/A	N/A	N/A	N/A	N/A	N/A
	236.3	189.3	133.5	94.4	48.0	4.6	-5.3	-215.2%	-1.6	-70 3%	N/A	N/A	N/A	N/A	N/A	N/A
LP/EP	2.2	2.9	2.7	3.4	2.9	2.2	2.3	4.5%	1.7	-23.7%	1.5	-11.5%	1.36	-11.9%	1.02	-25.0%
	25.1	36.8	33.3	34.0	31 8	27.7	27.4	-1.1%	20.5	-25.2%	21.7	6.0%	19.286	-11.3%	14.2	-26 2%
Vinyl Single	10.2	10.1	7.5	5.4	5.3	4.8	5.5	14.6%	4.4	-20.8%	3.8	-14.0%	3.5	-7.3%	2.3	-35.4%
	46.7	47.5	35.6	25.7	27.9	26.3	31.4	19.4%	24.9	-20.6%	21.5	-13.8%	19.9	-7.3%	13.2	-33.4%
Music Video	12.6	16.9	18.6	27.2	19.8	18.2	17.7	-2.7%	14.7	-17.2%	19.9	35.2%	32.8	65.0%	33.8	3.2%
	220.3	236 1	323.9	508 0	376 7	281.9	329.2	16.8%	288.4	-12.4%	399.9	38.7%	607 2	51.8%	602.2	-0.8%
DVD Audio	-	-	-	-	-	-	0.3	N/A	0.4	63.8%	0.4	1.2%	0.3	-20.5%	0.5	31.8%
	-	-	-	-	-	-	6.0	N/A	8.5	41.3%	8 0	-5.5%	6.5	-19.2%	11.2	72.2%
SACD	-	-	-	-	-	-	-	-	-	-	1.3	N/A	0.8	-39.7%	0.5	-40.5%
	-	-	-	-	-	-	-	-	-	-	26.3	N/A	16.6	-36.9%	10.0	-39.9%
DVD Video[3]	-	-	-	0.5	2.5	3.3	7.9	139.4%	10.7	34.8%	17.5	63.3%	29.0	66.0%	27.8	-4.1%
	-	-	-	12.2	66.3	80.3	190.7	137.5%	236.3	23.9%	369.6	56.4%	561.0	51.8%	539.8	-3.8%
Total Units	**1112.7**	**1137.2**	**1063.4**	**1123.9**	**1160.6**	**1079.2**	**968.5**	**-10.3%**	**859.7**	**-11.2%**	**798.4**	**-7.1%**	**814.1**	**2.0%**	**748.7**	**-8.0%**
Total Value	**12320.3**	**12533.8**	**12236.8**	**13711.2**	**14584.7**	**14323.7**	**13740.9**	**-4.1%**	**12614.2**	**-8.2%**	**11854.4**	**-6.0%**	**12154.7**	**2.5%**	**11195.0**	**-7.9%**
Total Retail Units			**817.5**	**850.0**	**869.7**	**788.6**	**733.1**	**-7.0%**	**675.7**	**-7.8%**	**658.2**	**-2.6%**	**687.0**	**4.4%**	**634.8**	**-7.6%**
Total Retail Value			**10,785.8**	**12,165.4**	**13,048.0**	**12,705.0**	**12,388.8**	**-2.5%**	**11,549.0**	**-6.8%**	**11,053.4**	**-4.3%**	**11,423.0**	**3.3%**	**10,477.5**	**-8.3%**

Digital

Download Single	-	-	-	-	-	-	-	-	-	-	-	-	139.4	N/A	366.9	163.3%
	-	-	-	-	-	-	-	-	-	-	-	-	138.0	N/A	363.3	163.3%
Download Album	-	-	-	-	-	-	-	-	-	-	-	-	4.6	N/A	13.6	198.5%
	-	-	-	-	-	-	-	-	-	-	-	-	45.5	N/A	135.7	198.5%
Kiosk[4]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.7	N/A
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.0	N/A
Music Video	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.9	N/A
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.7	N/A
Total Units	-	-	-	-	-	-	-	-	-	-	-		**143.9**	N/A	**383.1**	**166.2%**
Total Value	-	-	-	-	-	-	-	-	-	-	-		**183.4**	N/A	**503.6**	**174.5%**
Mobile[5]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	170.0	N/A
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	421.6	N/A
Subscription[6]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.3	N/A
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	149.2	N/A

Total Digital & Physical

Total Units[7]	**1,112.7**	**1,137.2**	**1,063.4**	**1,123.9**	**1,160.6**	**1,079.2**	**968.5**	**-10.3%**	**859.7**	**-11.2%**	**798.4**	**-7.1%**	**958.0**	**20.0%**	**1,301.8**	**35.9%**
Total Value	**12,320.3**	**12,533.8**	**12,236.8**	**13,711.2**	**14,584.7**	**14,323.7**	**13,740.9**	**-4.1%**	**12,614.2**	**-8.2%**	**11,854.4**	**-6.0%**	**12,338.1**	**4.1%**	**12,269.5**	**-0.6%**

Retail value is value of shipments at recommended or estimated list price

Permission to cite or copy these statistics is hereby granted, as long as proper attribution is given to the Recording Industry Association of America.

[1] Includes DualDisc
[2] RIAA's reports will no longer reflect shipments of cassette singles
[3] While broken out for this chart, DVD Video Product is included in the Music Video totals
[4] Includes Singles and Albums
[5] Includes Master Ringtunes, Ringbacks, Music Videos, Full Length Downloads, and Other Mobile
[6] Weighted Annual Average
[7] Units does not include subscriptions

This portion of this exhibit is restricted in its entirety and is therefore omitted from the public version of the exhibit binders.

3. No Conditional Downloads. Notwithstanding anything to the contrary in the Agreement or this Amendment, Universal is not granting RealNetworks any rights to provide Conditional Downloads of Universal Videos.

4. Preloading. Notwithstanding any other provisions of the Agreement, including without limitation Section 3(i) of Exhibit A, Section 1(a) of the Agreement is hereby amended by the addition of the following subsection:

> (iv) to preload Universal Sound Recordings onto portable Permitted Devices the ("Universal Preloaded Recordings"), whereby upon the initial purchase of a preloaded portable Permitted Device, the Universal Preloaded Recordings may be immediately playable on such portable Permitted Device as part of a free "trial", provided that (i) the Universal Preloaded Recordings shall be secured with DRM protection as set forth in this Agreement, (ii) the Universal Preloaded Recordings shall cease to be playable on the Permitted Device within thirty one (31) days of the time it is initially played unless the free "trial" is activated by registering such Permitted Device with the Service, and (iii) the Universal Preloaded Recordings shall cease to be playable upon the expiration of the applicable free "trial" offer associated with the Permitted Device. All Performances of Universal Preloaded Recordings authorized by this paragraph, regardless of whether the End User associated with such portable Permitted Device ultimately subscribes to the Service or not following the expiration of the free "trial" period, shall be accounted and paid for pursuant to Section 2 of this Agreement (subject to Section 2(h)(vi) of the Agreement), provided that payments for any Performances that occurred during any free "trial" period shall be calculated and paid separately from any Content Fees owed to Universal as set forth in Section 2 above (i.e., such payments, including any calculation thereof, shall not be aggregated or combined or factored in with any other Content Fees owed to Universal pursuant to Section 2).

5. Consideration. Sections 2(c) and 2(d) of the Agreement are hereby deleted and replaced in their entirety with the following:

(c) Content Fees for Non-Portable Subscribers after the First Year of the Term. Following the first year of the Term, pursuant to the procedures set forth in Section 5 of Exhibit A, RealNetworks will pay to Universal, for Performances to Non-Portable Subscribers (except for those Non-Portable Subscribers who are subject to a free trial or other promotional rate under this Agreement), the greatest of the following for each Accounting Period:

A. Per Performance Fees. For each on-demand Performance of a Universal Sound Recording made to a Non-Portable Subscriber, One Cent ($0.01); or

B. Gross Revenues. Universal's Proportionate Share of fifty percent (50%) of RealNetworks' Gross Revenues; or

DM

C. Per Subscriber Fee. Universal's Proportionate Share of Four Dollars ($4.00) per Non-Portable Subscriber per month.

(d) Content Fees for Portable Subscribers. During the Term, pursuant to the procedures set forth in Section 5 of Exhibit A, RealNetworks will pay to Universal, for Performances to Portable Subscribers (except for those Portable Subscribers who are subject to a free trial or other promotional rate under this Agreement), the greatest of the following for each Accounting Period:

A. Per Performance Fees. For each on-demand Performance of a Universal Sound Recording made to a Portable Subscriber equal to Two Cents ($0.02) but in all events capped at the greater of Universal's Proportionate Share of sixty percent (60%) of RealNetworks' Gross Revenues or Universal's Proportionate Share of Eight Dollars and Fifty Cents ($8.50); or

B. Gross Revenues. Universal's Proportionate Share of fifty percent (50%) of RealNetworks' Gross Revenues; or

C. Per Subscriber Fee. Universal's Proportionate Share of Six Dollars ($6.00) through the calendar year 2006, and Universal's Proportionate Share of Seven Dollars and Fifty cents ($7.50) thereafter.

6. Trial Fees. Section 2(h) of the Agreement is hereby amended by the addition of the following subsection:

(vi) Notwithstanding any other provisions of this Agreement, including without limitation Sections 2(h)(i)-(iii), in the event that a "trial" offer is made to a Person in connection with the purchase of a portable Permitted Device containing Universal Preloaded Recordings, RealNetworks shall not be required to pay Universal any Content Fees for such Universal Preloaded Recordings or Universal Sound Recordings during the first half of the "trial" offer (commencing at such time when any Universal Preloaded Recording is first played on any particular portable Permitted Device), up to a maximum period of six (6) weeks. RealNetworks represents that the Content Fees owed to Universal hereunder in connection with "trial" offers are no less favorable than those owed by RealNetworks to any other content provider pursuant to any similar agreement.

7. Servicing of Videos. Solely for the purpose of this Amendment, the following shall be added as new Section 2(m) of the Agreement:

(m) Servicing of Videos. RealNetworks will obtain the Universal Videos from Universal's vault providers, which Universal may designate from time to time, for use hereunder in the format described in Exhibit B-3 to this Agreement. RealNetworks will pay costs of duplication and delivery (e.g., including without limitation, encoding costs, digitizing costs, beta tape costs, etc.) for Universal Videos provided to RealNetworks. If available from the vault provider, Universal will make its preferred rate card costs

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available to RealNetworks. The current rate card for Universal Videos is attached as Exhibit B-4 hereto. At such time that Universal makes its Videos available in digital format via electronic feed which has been approved and tested by RealNetworks, RealNetworks will be required to take such Universal Videos in that format available to RealNetworks. RealNetworks will be required to obtain all new release Universal Videos, unless RealNetworks is a genre-specific Service, in which case RealNetworks will only be required to obtain new release Universal Videos for the specific genre(s) concerned. RealNetworks may obtain catalog Universal Videos at its discretion. Approved images, likenesses and other materials that RealNetworks may use in connection with such Universal Videos are available through www.umvd.com. RealNetworks' use of any such other images, likenesses or other materials shall be subject to the terms and conditions set forth by UMVD at www.umvd.com. With respect to materials delivered to RealNetworks in connection with any Video, RealNetworks may only make such copies of such materials as may be necessary in the exercise of RealNetworks' rights hereunder.

8. Most Favored Grantor. Section 3(c)(i) of the Agreement is hereby deleted and replaced in its entirety with the following:

(c) Most Favored Grantor

(i) Other Content Agreement Terms. RealNetworks represents, warrants and covenants that the material terms granted to Universal under the Agreement, including, without limitation, advances, guaranteed minimum payments, performance content fees (as measured on the basis of the effective rate per Performance actually paid to the other Person), reproduction fees, links, programming rights, data, equity and most favored-grantor provision, shall remain throughout the Term the most favorable material terms provided by RealNetworks to any other Person licensing or otherwise providing Sound Recordings of two hundred and fifty (250) albums to RealNetworks for use on the Subscription Service in the same matter (e.g., streaming, burning, so-called "tethered" downloads, so called "stackable" downloads, etc.). If RealNetworks obtains rights in Sound Recordings from any other such Person during the Term on material terms that are more favorable than the material terms granted to Universal hereunder, then Universal shall have the right to grant rights in Universal Sound Recordings to RealNetworks on the same terms granted by RealNetworks to such other Person, provided that Universal shall be required to accept all the terms in the relevant agreement (all such terms collectively shall be referred to as the "More Favorable Agreement"). Universal need not accept terms in a More Favorable Agreement that are not reasonably applicable to Universal or to the Agreement. RealNetworks shall not enter multiple agreements with the same party so as to avoid the obligations set forth in this Section 3(c)(i).

9. Term Extension. Section 4(a) of the Agreement is hereby deleted and replaced in its entirety with the following:

(a) Term. The term ("Term") of the Agreement shall take effect on July 1, 2004 (the "Effective Date") and shall terminate on July 31, 2007 unless terminated earlier as provided herein.

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10. Confidentiality. The first sentence of Section 5(b) of the Agreement is hereby deleted and replaced in its entirety with the following:

(b) Confidentiality. Each Party will be required to keep the terms of this Agreement and any data provided or generated pursuant to this Agreement (including under Section 4 and 6 of Exhibit A) confidential and will not be permitted to disclose such terms or data to any person other than such Party's employees, representatives, agents, attorneys, accountants and other third party professionals solely on a need to know basis, and with Universal Artists and other record royalty participants and other rights-holders and their representatives who have a need to know (e.g., without limitation, as part of an accounting statement or in connection with an audit or as may be reasonably required to secure third party rights hereunder) without the prior written consent of the other Party.

11. Exhibit B-3. Exhibit B-3, attached hereto, is hereby added to the Agreement as new Exhibit B-3.

12. Exhibit B-4. Exhibit B-4, attached hereto, is hereby added to the Agreement as new Exhibit B-4.

13. Annex III. Annex III to the Agreement is hereby deleted and replaced in its entirety with the form of Annex III attached hereto.

14. Unless otherwise expressly amended herein, all terms and conditions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties have entered into this Amendment:

REALNETWORKS, INC.

By: _____

Name: Michael Eggers

Title: Chief Financial Officer

UMG RECORDINGS, INC.

By: _____

LEGAL DEPARTMENT Approved AUG 16 2006 REAL NETWORKS

EXHIBIT B

EXHIBIT B-3

VIDEO FORMAT

(As may be reasonably revised from time to time by Universal upon reasonable notice to RealNetworks, provided that RealNetworks will have a reasonable period to implement any modification to its system required by any such change.)

UMG Requirements for Promotional Streaming Video (June 9, 2006)

1. **Resolution- Unencrypted Streams** – Videos streamed in unencrypted format for promotional use should be of no higher resolution than 320 pixels horizontal x 240 pixels vertical if the video aspect ratio is 4:3 or 400 pixels horizontal x 226 pixels vertical if the video aspect ratio is 16:9.
2. **Resolution- Encrypted Streams** - If using a UMG-approved stream encryption technology, video resolution may not exceed 416 pixels horizontal x 312 pixels vertical for 4:3 material, or 480 x 270 for material in native 16x9 format.
3. **Bit rate** – maximum allowable bit rate for promotional video streaming is 1 mbps (1 megabit per second). Multiple bit rate files are acceptable as long as the highest bit rate does not exceed 1 mbps.
4. **Audio** – Audio tracks for the video may be encoded in stereo up to 64kbps.
5. **Logo or Bug Placement** – UMG requires the placement of your company logo or "bug" in the lower right portion of each video to identify the video as originating from your servers. This is useful because if the streams are hijacked by a third party, the video stream can be easily identified and appropriate action can be taken against the third party.
6. **Streaming Technology**– Windows Media Video, Real Video, and QuickTime are all acceptable streaming technologies. Streaming videos should be flagged so that they are not able to be saved to a hard drive by the end user. In the future, VSP shall employ technology to protect streams of audio or audiovisual content (e.g., encryption technology), and shall discuss such technology in a meaningful way with Universal within twelve (12) months following the effective date, and it is understood that the adoption of such a technology satisfactory to Universal is a condition requirement of any renewal or extension of the term of the agreement.
7. **Territorial Filtering** - The provider must use technology (IP filtering, etc.) to limit access to the streams to users within their UMG approved territory of operation. They must not link to, or promote the site outside of the approved territory.
8. **Deep-linking** - the stream must be structured such that deep links cannot be used to access particular sections (i.e. tracks) of the stream, or to access the stream without originating from the appropriate page. Examples of technology to prevent deep-linking include obfuscation/encryption of the URL and dynamic URLs.
9. **Vendors and Encoding Partners** - UMG currently prefers to use Bitmax, LLC (323-957-9797) as its encoding provider. Bitmax maintains a UMG library of high-quality, full resolution, MPEG2 videos at 9-12 mbps. Because of this library, the web stream encoding of hundreds of UMG videos can be accomplished in an automated fashion, and the subsequent video encoded files can be delivered either electronically or using physical media (DLT, DVDR, etc.)

EXHIBIT B-4

RATE CARD

Normal Business Hours:
8 am - 8 pm P.S.T.

UMG e-Partner encoding marks

VALUE ADDED** Web Encoding (e.g. Windows Media, Real Player, QuickTime)	0-5 min	6-10 min	11-20 min	21-30 min	31-60 min	over 1 hr
Per Format 1st file	$10.00	$20.00	$30.00	$40.00	$50.00	$2/min
Per Format 2nd file	$7.00	$14.00	$21.00	$28.00	$35.00	$1.50/min
Per Format 3rd file and each file thereafter	$5.00	$10.00	$15.00	$20.00	$25.00	$1.00/min
MPEG-2	$16.00	$30.00	$45.00	$60.00	$75.00	$2/min

**Watermarking with client chosen graphic, electronic transfer to partner's delivery mechanism or electronic retrieval from ultimax, metadata inclusion, custom file naming based on client defined scheme

Windows Media, Real Player, QuickTime)	0-5 min	6-10 min	11-20 min	21-30 min	31-60 min	over 1 hr
Per Format 1st file	7.50	15.00	22.50	30.00	45.00	$2/min
Per Format 2nd file	4.50	11.00	19.00	25.00	30.00	$1.50/min
Per Format 3rd file and each file thereafter	2.50	7.50	12.50	17.50	22.50	$1.00/min
Watermark inclusion (per file)	1.00	1.00	1.00	1.00	1.00	n/a
Metadata inclusion and file renaming (per file)	1.00	1.00	1.00	1.00	1.00	n/a
Electronic file delivery or retrieval (per file)	0.50	0.50	0.50	0.50	0.50	n/a

RUSH CHARGES: UMG reserves the right to apply a rush fee of at least 25% on orders arriving after 8 PM PST that require completion prior to 8 AM PST the next day

10-23-2006

ANNEX III

ANNEX III

Universal Music Group
Digital Sales Accounting Detail File 1.6.5

	Data Item	Type	Digits	Decimal Places	Description	Req Opt	Examples
1	Account Number	N	6		UMG assigned business partner account number	R	131472
2	Sales Channel	A	2		Method of exploitation	R	1
3	Sold As Album or Track	A	1		Indicates transaction level. "T" is used to report transactions at a track level by ISRC. This is used to report sales of standalone tracks, meaning the track was not sold as part of an album bundle. "A" is also used to report transactions at a track level by ISRC, but for tracks sold as part of an album bundle. The A indicating that the track was sold as part of an album bundle rather than standalone. "C" should be used to report sales of Complete Album bundles, these may be reported at the UPC level (ie. track level reporting by ISRC not required). **This may only be done if the digital album bundle is *known* to contain all tracks present on the physical version of the album. Incomplete album bundles (due to clearance issues, etc.) must use "A" transactions and report at the track level by ISRC.**	R	T
4	ISRC	A	12		International Standard Recording Code, unique identifier assigned to each recording by a record label. Required for Track level details.	R	USMC19341260
5	Source UPC	N	14		UPC code of the Album that the track originated on.	R	00004228422982
6	Catalog No.	A	10		Product number of the Album that the track originated on.	O	MCAD12345
7	Track Artist	A	100		Required if reporting by ISRC	R	Gabriel, Peter
8	Track Title	A	100		Required if reporting by ISRC	R	Shock The Monkey
9	Album Artist	A	100		Required if reporting by UPC	R	Gabriel, Peter
10	Album Title	A	100		Required if reporting by UPC	R	Peter Gabriel 2
11	Reporting Period Start Date	N	8		Beginning date of the sales period covered in YYYYMMDD format.	R	20020401
12	Reporting Period End Date	N	8		Ending date of the sales period covered in YYYYMMDD format.	R	20020630
13	Sale or Refund	A	1		"S" indicates a Sale, "R" indicates a refund/sales reversal	R	S
14	Units	N	9		Units of exploitation for the covered period. This should be negative on a refund/sales reversal.	R	5014
15	Retail Price	N	5	4	Retail Unit price paid by consumer.	R	0
16	Filler	N	1	4	Field not applicable	N/A	0
17	Net Price Per Unit	N	5	4	This field should contain the applicable rate per unit of exploitation.	R	0.94
18	Extended Amount	N	9	4	Units * Net Price Per Unit This should be negative on a refund/sales reversal.	R	4713.16
19	User Defined Data	A	30		Free form alpha field for use by business partner, may contain a reference no. etc.	O	
20	Price Code	A	5		Price code assigned to item	C	
21	Promotion Type	A	5		This will allow us to recognize transactions related to promotions. Reversals sent to back out the prior track sales for an album upgrade sale should be coded "UP".	C	

Type:
A = Alphanumeric Field
N = Numeric Field

Acceptable File Formats:
Pipe (\|) Delimited Text

R = Required
O = Optional
C = Conditional

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Universal Music Group
Digital Sales Accounting Header File 1,6,5

	Data Item	Type	Digits	Decimal Places	Description	Examples
1	Account Number	N	6		Account number assigned by UMG to Affiliate	131472
2	Reporting Period Start Date	N	8		Beginning date of the sales period covered in YYYYMMDD format.	20020401
3	Reporting Period End Date	N	8		Ending date of the sales period covered in YYYYMMDD format.	20020630
4	Units	N	9		Sum of Detail file Units field	5014
5	Extended Amount	N	9	4	Sum of Detail File Extended Amt field	39920.28
6	Record Count	N	9		Number of records contined in the detail file	4725
7	User Defined Data	A	30		Free form alpha field for use by business partner, may contain a reference no. or comment, etc.	

Type:
A = Alphanumeric Field
N = Numeric Field

Acceptable File Formats:
Pipe (|) Delimited Text

UNIVERSAL

Universal Music Group
Digital Sales Channel Mapping

Regular or Mobile	Audio Video Image	Wholesale or Licensee	Digital Sales Channel Code	Description
Regular	Audio	Wholesale	1	Permanent Downloads
			8	Permanent Downloads (Promo only)
			20	Kiosk
		Licensee	9	Client Plays (Tethered Downloads)
			14	Portable Subscription Client Plays (Tethered DL)
			16	Portable Subscription Device Plays
			12	Portable Subscription Streams
			2	Streams
	Video	Wholesale	76	Video Downloads
			77	Video Downloads (Promo only)
		Licensee	80	Portable Subscription Video Client Plays (Tethered DL)
			84	Portable Subscription Video Device Plays
			79	Portable Subscription Video Streams
			78	Video Client Plays (Tethered DL)
			75	Video Streams
Mobile	Audio	Wholesale	67	DR Mastertones
			4	Mastertones
			6	Mastertones (UMG Not Liable for CPRT)
			7	Mastertones (Promo only)
			10	Mastertones (Promo only, UMG Not Liable for CPRT)
			23	OTA Permanent Downloads
			28	OTA Permanent Downloads (Promo only)
			52	Ringtones (polyphonic)
			69	Voicetones
		Licensee	64	Ringbacks
			65	Ringbacks (Promo only)
	Image	Wholesale	24	Mobile Images (wallpaper)
	Video	Wholesale	82	Video Mastertones (aka video ringers)
			96	OTA Video Downloads
			97	OTA Video Downloads (Promo only)

Discontinued: 3 - Burns (replaced by 1)
Discontinued: 5 - Tethered Downloads (replaced by 9)

Universal Music Group
Digital Sales Accounting F.A.Q. 1.6.5

No.	Question
1	Q *The spec requires an Account No., where can I find out our Account No.?* A UMG will assign you an account number to be used for sales reporting, if you're not sure what your Account No. is, simply send an email to UMGDigitalFinance@umusic.com and we'll provide it.
2	Q *What sales channel code should I use?* A Refer to the sales channel list provided, if you're still not sure what sales channel applies to you, email UMGDigitalFinance@umusic.com and we'll provide guidance.
3	Q *What are the "promo" sales channels used for?* A Promo sales channels are to be used for reporting sales of items given away ***and that UMG has agreed not be paid for,*** accordingly, the units field needs to be populated and the price and amount fields should be 0.00. **If you have given an item away but are paying UMG for those units, the appropriate regular (non-promo) sales channel needs to be used.**
4	Q *How should the header record work?* A The header record should reside in a separate file. The record count, number of units, and amount in the header should represent the sum of the detail file. It should also balance to the both the monthly accounting statement we receive and the payment amount sent. Note: if the Header totals do not match the Details, the file will be rejected.
5	Q *Can I report more than one sales channel in a given file?* A It depends. UMG requires a separate "set" of files (header & details) for each exploitation deal (i.e. download, subscription), within each detail file, you can have multiple sales channels relating to that deal. A subscription file (for instance) may contain sales for both Streams and Client Plays (Tethered Downloads), both of which are part of the same deal and *reported on the same statement.*
6	Q *How should N/A fields be treated? Or optional fields we're not providing?* A All fields need to be delimited in the file, but in the case of N/A and optional fields, may be left empty. Note that we prefer to see the optional fields populated, they're helpful when researching problems.
7	Q *What level of detail should we be providing? i.e. do we report individual transactions, or a summary?* A The file should represent a summary of the transactions in a given reporting period (typically a month). It should contain 1 record for each *unique* combination of the following fields: Account Number Sales Channel Sold As ISRC Source UPC Reporting Period Start Date Reporting Period End Date Sale or Refund Retail Price Net Price Per Unit Price Code Promotion Type A typical file will contain 1 record per ISRC/UPC/Sales Channel in a given month, if however, you sell the same item at two different retail prices for instance, then the file would contain 2 records for the item in question, in order to break out the number of units sold at each retail price. Note that not all of the above fields are applicable to every sales channel, for instance, Retail Price and Price Code are not used with Subscriptions, they can simply be ignored or treated as empty when summarizing Subscription related sales channels.

8	Q	***What format should the files be in?***
	A	The required format is pipe (|) delimited .txt files.
9	Q	***Do you have any example files I can look at?***
	A	We can provide examples file upon request. File examples are provided in both Excel and pipe delimited .txt format. Note that the Excel files are provided simply to make it easy to examine the values for the data contained in the .txt files.
10	Q	***What file naming conventions should be used?***
	A	The ideal filename provides information regarding who it's from, who it's for, the date, and a description of the contents, in the following format: Content Provider_Service Provider_Date_What it contains .txt At a *minimum*, we like to see SERVICEPROVIDER_YYYYMMDD_FILETYPE_.TXT, so if you are XYZmusic.com, a typical set of files will be named as such: XYZMUSIC_20050601_Header.TXT and XYZMUSIC_20050601_Details.TXT Some partners like to prefix the files with "UMG_", to enable them to distinguish between different content providers, so you might consider using something like UMG_XYZMUSIC_20050601_DETAILS.TXT. Additionally, if you have deals with us covering multiple methods of exploitation, you should include an indication of what types of sales are in a given file (also done in order to avoid duplication) for instance: UMG_XYZMUSIC_20050601_Subscription_Details.txt, UMG_XYZMUSIC_20050601_Download_Details.txt, or UMG_RINGYDINGY_20050601_Mastertone_Details.txt For instances where you need to send us transactions related to correcting an error, these files should be named meaningfully as well, for instance: UMG_XYZMUSIC_20050601_Download_Details_REVERSALS.txt or UMG_XYZMUSIC_20050601_Download_Details_CORRECTED.txt.
11	Q	***How and where should I send my accounting sales files?***
	A	Your files should be sent via FTP to *ftpumg.umusic.com*. A unique login id and password will be set up for your use, allowing you to upload files to our server. If you don't have an ID, email UMGDigitalFinance @umusic.com and we'll set one up for you.
12	Q	***What if I discover an error has been made in the files we've reported to you?***
	A	If you think a file you've sent contains errors, you need to contact UMGDigitalFinance @umusic.com. If we've not yet processed the file in question, it can simply be replaced. If we've already processed the file (it was sent to us in a prior period for example), the transactions in error will need to be reversed out and restated correctly.
13	Q	***How and where should I send my Statements?***
	A	If you're not sure where to send your statements, email UMGDigitalFinance@umusic.com and we'll provide you with the relevant email addresses.
14	Q	***If I have any other questions...?***
	A	Email UMGDigitalFinance@umusic.com and we'll do our best to answer your question or point you in the right direction if it's not something we can answer.

UNIVERSAL

FULLY-EXECUTED

Amendment No.3 to
SUBSCRIPTION AGREEMENT

This Amendment No. 3 to the SUBSCRIPTION AGREEMENT, between RealNetworks Inc., with offices at 2012 16th Street, San Francisco CA, 94103 ("RealNetworks"), and UMG Recordings, Inc., with offices at 2220 Colorado Avenue, Santa Monica, California 90404 ("Universal"), dated as of July 1, 2004 (the "Agreement") is made and entered into as of June 29, 2006 ("Amendment No. 3"). UMG/Universal and RealNetworks are sometimes referred to herein as the "Parties" and individually referred to as a "Party." All capitalized terms not defined herein shall have the meanings ascribed to them in the Agreement.

WHEREAS, the Parties wish to extend the Term of the Agreement.

NOW THEREFORE, in consideration of the agreements of the Parties set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound, agree as follows:

1. The Term of the Agreement shall be extended until July 31, 2006 (the "Extension Period") or upon the execution date of a new agreement ("Renewal Agreement"), if an earlier date.

2. Nothing herein obligates either Party to enter into a Renewal Agreement, which shall be entered into at each Party's sole discretion.

3. Except as specifically modified herein, all other terms and conditions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties have entered into this Amendment.

UMG Recordings, Inc.

By: _____

RealNetworks, Inc.

By: _____

Name: Jeff Schwab

Title: VP Corp Dev

APPROVED
BY: CDE
JUN 29 2006

FULLY-EXECUTED
RESTRICTED - Subject to Protective Order
in Docket No. 2006-1 CRB DSTRA

ORIGINAL

THIS AGREEMENT FOR UMG RECORDINGS, INC. (the "Agreement") is entered into as of the 1st day of July, 2004 (the "Effective Date") between RealNetworks Inc., with offices at 2012 16th Street, San Francisco CA, 94103 ("RealNetworks"), and UMG Recordings, Inc., with offices at 2220 Colorado Avenue, Santa Monica, California 90404 ("Universal") (each a "Party" and, collectively, the "Parties"). Capitalized terms that are not defined in the Agreement will have the meanings set forth in Section 14 of Exhibit A hereto.

1. Grant of Rights.

(a) Subject to the limitations set forth in this Agreement, Universal hereby grants to RealNetworks during the Term, a limited, nonexclusive right, without the right to transfer or sublicense any rights granted herein, except as specifically provided herein, (i) to make Performances of Universal Sound Recordings solely through the Service, the Servers and/or the Website by means of Streaming and Conditional Downloads, (ii) to make Reproductions of the Universal Sound Recordings solely insofar as they are incidental and necessary to the Streaming and making of Conditional Downloads of such Performances, and (iii) to reproduce and display only on the Service and/or the Web Site, the Artwork, only in connection with the permitted uses of that Universal Sound Recording on the Service. Any and all rights not expressly granted hereunder are expressly reserved for Universal.

(b) RealNetworks may not make Performances of Universal Sound Recordings through the Service by means of Conditional Downloads until RealNetworks has submitted, and Universal has approved in its sole discretion, a detailed white paper describing the Business Rules, technology and security to be utilized by RealNetworks to make Performances of the Universal Sound Recordings by Conditional Download. Universal reserves the right to conduct additional diligence prior to approving or disapproving RealNetworks Conditional Download system

(c) Universal, in its discretion, for up to ninety (90) days from the applicable street date for the album concerned, may withhold any Universal Sound Recordings from any album upon written notice, whether or not actually delivered to or acquired by RealNetworks. Additionally, (i) in the event that no Sound Recordings are available from an album or (ii) if Universal does not possess the necessary rights, as it determines in its discretion, Universal may withhold upon written notice any artwork associated with any album whether or not actually delivered to or acquired by RealNetworks. Upon notice to RealNetworks, Universal will be entitled to withdraw any Universal Sound Recording from the Service in its sole discretion. In exercising its rights under this paragraph, Universal will not discriminate against the Service relative to other grantees operating services similar to the Service ("Similar Service") provided that Universal will not be required to be completely identical in each instance in which Universal exercises such rights so long as, in the aggregate, Universal does not use this provision punitively or to

create a competitive disadvantage for the Service relative to any similarly situated grantees. If Universal withdraws any Universal Sound Recording from the Service pursuant to this Agreement, RealNetworks will comply with Section 8 of Exhibit A below.

(d) The Service shall be considered an approved "Online Store" as such term is defined in the Agreement for Universal Sound Recordings dated December 23, 2004 ("Download Agreement"). The sale of permanent downloads of Universal Sound Recordings to End Users of the Service shall be solely governed by the Download Agreement, unless otherwise specifically set forth herein. If RealNetworks is in breach of the Download Agreement or this Agreement, Universal may terminate or suspend RealNetworks' rights to sell Downloads on the Service.

2. Consideration.

(a) Advances.

(i) RealNetworks will pay to Universal an advance as consideration for granting the rights contained in this Agreement, in cash by wire transfer of immediately available funds to an account designated in writing by Universal, One Million Dollars ($1,000,000) upon execution of this Agreement.

(ii) All advances payable pursuant to Section 2(a)(i) will be non-refundable under any circumstances, including but not limited to termination of this Agreement by either Party for any reason, and recoupable against the Content Fees (as defined below), if any. Notwithstanding the foregoing, RealNetworks will not offset any Content Fees due and payable to Universal against any advances that are not yet due and paid if any under Section 2(a)(i) for the purpose of reducing the amount of any such advance.

(b) Content Fees for Non-Portable Subscribers the First Year of the Term. During the first twelve months of the Term, pursuant to the procedures set forth in Section 5 of Exhibit A, RealNetworks will pay to Universal, for Performances to Non-Portable Subscribers (except for those Non-Portable Subscribers who are subject to a free trial or other promotional rate under this Agreement), the greatest of the following:

(i) Per Performance Fees. A fee for each Performance of a Universal Sound Recording made to a Non-Portable Subscriber equal to One Cent ($0.01); or

(ii) Gross Revenues. Universal's Proportionate Share of forty-six percent (46%) of RealNetworks' Gross Revenues; or

(iii) Per Subscriber Fee. Universal's Proportionate Share of Three Dollars and Twenty-Five Cents ($3.25) per Non-Portable Subscriber per month.

(c) Content Fees for Non-Portable Subscribers for the Second Year of the Term. During the second twelve months of the Term, pursuant to the procedures set forth

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in Section 5 of Exhibit A, RealNetworks will pay to Universal, for Performances to Non-Portable Subscribers (except for those Non-Portable Subscribers who are subject to a free trial or other promotional rate under this Agreement), the greatest of the following:

(i) Per Performance Fees. A fee for each on-demand Performance of a Universal Sound Recording made to a Non-Portable Subscriber equal to One Cent ($0.01); or

(ii) Gross Revenues. Universal's Proportionate Share of fifty percent (50%) of RealNetworks' Gross Revenues; or

(iii) Per Subscriber Fee. Universal's Proportionate Share of Four Dollars ($4.00) per Non-Portable Subscriber per month.

(d) Content Fees for Portable Subscribers. During the Term, pursuant to the procedures set forth in Section 5 of Exhibit A, RealNetworks will pay to Universal, for Performances to Portable Subscribers (except for those Portable Subscribers who are subject to a free trial or other promotional rate under this Agreement), the greatest of the following:

(i) Per Performance Fees. A fee for each on-demand Performance of a Universal Sound Recording made to a Portable Subscriber equal to Two Cents ($0.02) but in all events capped at the greater of sixty percent (60%) of RealNetworks' Gross Revenues or Seven Dollars and Fifty Cents ($7.50); or

(ii) Gross Revenues. Universal's Proportionate Share of fifty percent (50%) of RealNetworks' Gross Revenues; or

(iii) Per Subscriber Fee. Universal's Proportionate Share of Six Dollars ($6.00) for the calendar year 2005 and Seven Dollars and Fifty Cents ($7.50) for the calendar year 2006 per Portable Subscriber per month.

(e) During the term of this Agreement, RealNetworks shall be entitled to offer the non-Portable Tier of the Service to students at Universities, on the terms and subject to the Content Fees set forth in Exhibit D to this Agreement.

(f) Performance Payment Rules. Notwithstanding anything to the contrary set forth in this Agreement, RealNetworks shall not be required to pay any Content Fees for any Performances of Universal Sound Recordings made through the Service of a duration of five (5) seconds or less, regardless of whether or not such Universal Sound Recording is accompanied by a "Buy Button". The provision in Section 2(a) of the Download Agreement, as it relates to Clips, shall not apply to Performances of Universal Sound Recordings made to End Users of the Service. Additionally, each separately requested Stream of a Sound Recording to a personal computer, Home Media Server or Home Media Receiver shall be deemed a separate compensable Performance of a Universal Sound Recording. Notwithstanding the foregoing, in the limited circumstance when a single Stream of a Universal Sound Recording is forwarded from a personal computer or

Home Media Server to a personal computer or Home Media Receiver and such Stream is only decoded once during this process, then RealNetworks may calculate such Performance as a single Performance for the purposes of the Content Fee calculation.

(g) For the purpose of computing fees payable under Sections 2(b)(iii), 2(c)(iii) and 2(d)(iii), the Parties acknowledge that RealNetworks shall determine the number of Non-Portable Subscribers and Portable Subscribers in a given month by using the following formula: the sum of the number of subscribers on the first day of the calendar month plus the number of subscribers on the last day of the calendar month, divided by two (2).

(h) Trial Fees. Notwithstanding anything to the contrary contained in this Agreement, the following Content Fees shall apply during the first month of any so-called 'trial' offer regardless of the duration of the 'trial' concerned:

(i) During the first fourteen (14) days of any so-called 'trial' offers to non-subscribers, Universal will waive the Content Fees described in Sections 2(b)(i) and (ii), 2(c)(i) and (ii) and 2(d)(i) and (ii) above.

(ii) During the remainder of any free trial referred to in Section 12(h)(i) for a period of up to one month and provided that RealNetworks can accurately track Performances of Universal Sound Recordings to trial End Users separate and apart from Performances of Universal Sound Recordings to End Users who are paying subscribers, and can demonstrate the tracking method to Universal's reasonable satisfaction, then during the remainder, if any, of the first month of any so-called 'trial', RealNetworks shall pay to Universal a fee for each Performance of a Universal Sound Recording made to a trial End User of One Cent ($0.01) provided that such payment shall be calculated and paid separately from the content fees set forth in Sections 2(b) and 2(c) above for paying End Users, and shall be made to Universal regardless of other Content Fees payments that may be due. Until RealNetworks can accurately track Performances of Universal Sound Recordings to trial End Users, RealNetworks shall not be entitled to the above-referenced economic terms set forth herein for the second sixteen (16) days of any trial period.

(iii) Provided that RealNetworks can accurately track Performances of Universal Sound Recordings to trial End Users separate and apart from Performances of Universal Sound Recordings to End Users who are paying subscribers, and can demonstrate the tracking method to Universal's reasonable satisfaction, then during the second sixteen (16) days of any so-called 'trial', RealNetworks shall pay to Universal a fee for each Performance of a Universal Sound Recording made to a trial End User of the Portable Tier of Two Cents ($0.02) provided that such payment shall be calculated and paid separately from the content fees set forth in Section 2(d) above for paying End Users, and shall be made to Universal regardless of other Content Fees payments that may be due. Until RealNetworks can accurately track Performances of Universal Sound Recordings to trial End Users, RealNetworks shall not be entitled to the above-referenced economic terms set forth herein for the second sixteen (16) days of any trial period.

(iv) Playlist Promotion. RealNetworks shall be permitted to offer the following "Playlist Promotion" (as defined below) as part of the non-Portable Tier: A paying End User or an End User that has registered for a free trial plan prior to the sending or receipt of a Promotional Offer, (collectively referred to for the purposes of this Section as "Subscribers") may send via email, Instant Messaging or other method, a link to either a specific Universal Sound Recording or a playlist containing no more than fifty (50) Universal Sound Recordings, to another Subscriber, or non-Subscriber of the Service (the "Playlist Promotion"). In the case of a link sent to another Subscriber, the receiving Subscriber may save the Playlist Promotion playlist and play it like any other Universal Sound Recording or playlist in that Subscriber's music library on the Service. In the case of a Playlist Promotion playlist sent to non-Subscriber, the non-Subscriber may Stream the playlist sent as part of the Playlist Promotion up to five times provided that (i) concurrent with the Performance of any Universal Sound Recording included in the Promotional Offer No. 1, the non-Subscriber is offered the ability to purchase any available Download of such Universal Sound Recording; and (ii) the non-Subscriber is offered a link to the Service to initiate a trial of the service. RealNetworks shall pay to Universal a per Performance fee of ($0.01) for each Universal Sound Recording played by a non-Subscriber as part of a Promotional Offer No. 1, provided that such payment shall be calculated and paid separately from the content fees set forth in Section 2(b) above for paying End Users, and shall be made to Universal regardless of other Content Fees payments that may be due.

(v) Complimentary Streams Promotion. For a contiguous period of six (6) months during the Term beginning at RealNetworks' discretion provided that all other major labels who have made content available for the Service have agreed to participate, RealNetworks shall be permitted to offer the following "Complimentary Streams Promotion" (as defined below): Provided that RealNetworks implements the "Complimentary Streams Promotion Security" (as defined below), which is approved by Universal as an acceptable means of preventing multiple monthly access to Complimentary Streams Promotion from one PC, and notwithstanding any other provision to the contrary contained in this Agreement, RealNetworks may permit an individual to make up to twenty five (25) on-demand streams of Sound Recordings per month, including the Universal Sound Recordings, via software applications or websites controlled or operated by RealNetworks (the "Complimentary Streams Promotion"). RealNetworks shall pay to Universal a per Performance fee of ($0.01) for each Universal Sound Recording streamed by an individual as part of a Complimentary Streams Promotion, provided that such payment shall be calculated and paid separately from the Content Fees set forth in Sections 2(b)(i), 2(c)(i) and 2(d)(i) and shall be made to Universal regardless of other Content Fees payments that may be due. The Complimentary Streams Promotion shall be limited to one End User account per PC, and RealNetworks shall enforce this restriction by dropping a cookie on each PC participating in this promotion such that only one account per PC can be active at any one time. RealNetworks will work in good faith with Universal to test an anti-stream ripping technology such as MRT or SAP (or such other format mutually acceptable to the Parties) in a manner mutually acceptable in writing to the Parties. On a monthly basis, RealNetworks shall provide the following data to Universal in connection with the

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Complimentary Streams Promotion: New unique users of Complimentary Stream Offer ("New Installs"), cumulative unique users of the Complimentary Stream Offer ("Total Installs"), total active users of Complimentary Stream Offer during the month ("Active Users"), total number of Active Users who hit the cap, total number of play events by Active Users, number of Active Users who bought permanent downloads (at such time as RealNetworks is able to collect this data), total number of permanent downloads purchased by Active Users (at such time as RealNetworks is able to collect this data), number of month's Active Users who upgraded to the Service.

(i) Reproduction Fee. The Fees set forth above will also constitute consideration for each authorized reproduction made by RealNetworks of a Universal Sound Recording made during the Term and authorized by this Agreement, including, but not limited to, reproductions made for regional servers or reproductions made at different bit rates and formats or other reproductions solely to the extent they are necessary to the operation of the Service and to otherwise operate the Service as specifically set forth in Exhibit B attached hereto.

(j) Publishing Fees. The Parties agree that RealNetworks shall be solely responsible for obtaining any third-party rights required to make Reproductions and Performances of the musical compositions embodied in any Universal Sound Recordings covered by this Agreement on the Service and for paying any necessary royalties to such third parties, including, without limitation, any required performing rights royalties for musical compositions or other publishing royalties. Notwithstanding the preceding sentence, however, in the event that Universal enters into an agreement with any performing rights society or publisher and Universal in its sole discretion offers to RealNetworks the option to obtain such third-party rights through Universal, RealNetworks may elect to obtain such third-party rights through Universal, in which case RealNetworks and Universal shall enter into an agreement setting forth the terms of such arrangement which shall, among other terms and conditions, compensate Universal for any costs directly or indirectly incurred by Universal, related to or resulting from RealNetworks' use of such third party rights. For the avoidance of doubt, payment of publishing royalties for sales of permanent Downloads shall be governed by the Download Agreement.

(k) Content Management Fee. RealNetworks will pay Universal's then current standard rate card charges for the electronic delivery of Universal Sound Recordings hereunder, together with any tape and other out-of-pocket costs, such as delivery or courier charges, in electronic file format (or other encoded file format supported by Universal) as set forth in the Asset & Metadata Recipient Guide. Provided that RealNetworks is able to accurately match Metadata received under this Agreement with pre-existing copies of Universal Sound Recordings in its possession, and is able to provide reports to Universal as specifically set forth herein, RealNetworks shall not be required to pay duplicate charges for Universal Content delivered in electronic format pursuant to a separate written agreement between the Parties or that it already possesses.

(l) Metadata. For purposes of clarity, RealNetworks will be required to use the Metadata provided by Universal hereunder (e.g., the Metadata provided in connection with Universal Sound Recordings offered in a subscription service). Universal will deliver the Metadata for each Universal Sound Recording to RealNetworks via FTP in either XML or tab delineated format or as otherwise mutually agreed between the Parties in writing. RealNetworks will ensure that all Metadata provided by Universal (and any revisions and updates thereto, as may be provided by Universal from time to time) is properly associated with each Universal Sound Recording on the Service. Upon receipt of any Metadata updates for any Universal Sound Recording, RealNetworks will ingest and update such Metadata into the Service within five (5) business days.

3. Representations and Warranties.

(a) Authority. Each Party represents to the other Party that:

(i) It has the full corporate right, power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby;

(ii) The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action;

(iii) This Agreement has been duly executed and delivered by an authorized officer, and is a legal, valid and binding obligation enforceable against it in accordance with its terms, except as enforcement may be limited by general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity) and the effect of applicable bankruptcy, insolvency, moratorium and other similar laws of general application relating to or affecting creditor's rights generally, including the effect of statutory or other laws regarding fraudulent conveyances and preferential transfers;

(iv) The execution, delivery and performance of this Agreement will not constitute a breach or default under any contract or agreement to which it is a party or by which it is bound or otherwise violate the rights of any third Person; and

(v) No consent, approval or authorization of or from any governmental entity or any other Person not a party to this Agreement, whether prescribed by law, regulation, contract or agreement, is required for its execution, delivery and performance of this Agreement or consummation of the transactions contemplated hereby.

(b) Third-Party Licenses and Payments. RealNetworks represents, warrants and covenants that it will obtain any third-party licenses required to operate the Service and pay any necessary royalties therefrom.

(c) Most Favored Grantor.

(i) Other Content Agreement Terms. RealNetworks represents, warrants and covenants that the material terms granted to Universal under the Agreement, including, without limitation, advances, guaranteed minimum payments, performance content fees, reproduction fees, links, programming rights, data, equity and most favored – grantor provision, shall remain throughout the Term the most favorable material terms provided by RealNetworks in their entirety to any other Person licensing or otherwise providing Sound Recordings of two hundred and fifty (250) albums to RealNetworks for use on the Subscription Service in the same manner (e.g., streaming, burning, so-called "tethered" downloads, so called "stackable" downloads, etc...). If RealNetworks obtains rights in Sound Recordings from any other such Person during the Term on material terms that are more favorable than the material terms granted to Universal hereunder, then Universal shall have the right to grant rights in Universal Sound Recordings to RealNetworks on the same terms granted by RealNetworks to such other Person, provided that Universal shall be required to accept all the terms in the relevant agreement (all such terms collectively shall be referred to as the "More Favorable Agreement"). Universal need not accept terms in a More Favorable Agreement that are not reasonably applicable to Universal or to the Agreement. RealNetworks shall not enter multiple agreements with the same party so as to avoid the obligations set forth in this Section 3(d)(i).

(ii) Notice to Universal of More Favorable Terms. If during the Term, RealNetworks enters into an agreement with any such Person licensing or otherwise providing Sound Recordings to RealNetworks which RealNetworks believes in good faith to be a More Favorable Agreement than the terms contained herein, RealNetworks shall give Notice to Universal within ten (10) days of the date on which such an agreement was signed. RealNetworks shall include with such Notice a summary of the material terms of such agreement. Universal shall thereafter have forty-five (45) days within which to decide whether to accept or reject the More Favorable Agreement by written Notice to RealNetworks. Notwithstanding the preceding Section 3(c), Universal need only accept the terms that are summarized in the notice, and the parties shall reasonably negotiate to amend this Agreement to reflect such terms.

(iii) Accounting. If RealNetworks fails to comply with any requirements of this Section 3(c), without prejudice to any other rights Universal may have, Universal shall be entitled to an accounting for purposes of calculating the amount of payments or other consideration to be paid to Universal, with interest calculated at a rate of twelve percent (12%) per year.

(d) Intellectual Property. Universal represents and warrants that it has the authority and legal right to grant the licenses granted pursuant to this Agreement and that it shall be responsible for all payments that may be due to an artist or third party in connection with the use or performance of the Universal Sound Recordings pursuant to this Agreement, excepting any payment due pursuant to Section 2(g) of this Agreement.

(e) Express Warranties. THE EXPRESS WARRANTIES IN THIS AGREEMENT WILL BE IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

(f) Limitation of Liability.

(i) IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, OR SPECIAL DAMAGES.

(ii) IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY DAMAGES THAT EXCEED THE AMOUNTS PAID BY REALNETWORKS TO UNIVERSAL PURSUANT TO SECTION 2 OF THIS AGREEMENT, EXCEPT THAT THE LIMITATION ON DAMAGES SET FORTH IN THIS SECTION 3(f)(ii) SHALL NOT APPLY TO THE INDEMNITIES SET FORTH IN SECTION 9 OF EXHIBIT A OF THIS AGREEMENT.

4. Term and Termination.

(a) Term. The term (the "Term") of the Agreement shall take effect on July 1, 2004 ("Effective Date") and shall terminate on June 30, 2006 unless terminated earlier as provided herein.

(b) Termination Rights. Universal will have the right, by written notice to RealNetworks, to terminate this Agreement prior to the end of the Term (subject to any applicable Notice period and opportunity to cure), under any of the following conditions:

(i) if RealNetworks fails to make timely payments of any sums due hereunder, following ten (10) days Notice;

(ii) if RealNetworks fails to comply with Section 7 of Exhibit A following ten (10) days Notice, unless a shorter time period is set forth in Section 7 of Exhibit A;

(iii) immediately, if RealNetworks fails, in the event of a Security Incident, to remove or block access to all Universal Content, or to repair, update or improve security measures, or develop new security measures, as required by Section 7 of Exhibit A, without further Notice and without further opportunity to cure (subject to any Notice and cure period set forth in such Section 7 of Exhibit A);

(iv) if RealNetworks or the subsidiary that operates the Service is acquired or comes under the Control of another entity and did not first obtain Universal's consent to assign the Agreement as set forth in Exhibit A, Section 10;

(v) if RealNetworks breaches any material term or condition of this Agreement, following thirty (30) days written Notice and opportunity to cure;

(vi) following any applicable cure period, if an unremedied breach of any material term or condition exists under any other agreement between the Parties;

(vii) following two (2) days Notice and opportunity to cure (in addition to any cure periods set forth in Sections 3(b) and 8), in the event that RealNetworks breaches Section 3(b) (as it relates territorial and contractual restrictions) or Section 8 of Exhibit A to this Agreement; or

(viii) upon the sale of fifty percent (50%) or more of RealNetworks' assets or equity, whether by stock sale, merger, share exchange, asset sale, consolidation or otherwise to a third party, if Universal withholds it's consent for a requested assignment as required by Exhibit A, Section 10, provided that all advances paid will not be refunded by Universal.

(c) RealNetworks will have the right to terminate this Agreement

(i) if Universal breaches any material term or condition of this Agreement following thirty (30) days written notice and opportunity to cure; or

(ii) upon not less than thirty (30) days prior written notice to Universal, any time after RealNetworks has fully recouped all of the advances due under this Agreement.

(d) Content After Expiration or Termination. Upon the expiration or termination of the Term, all rights and licenses granted by Universal hereunder shall immediately expire and terminate. RealNetworks will have no ownership rights whatsoever to any Universal-owned intellectual property embodied in any copy of Universal Content it received pursuant to this Agreement, and may not use such intellectual property upon termination or expiration of this Agreement without prior written approval by Universal unless RealNetworks has procured, by agreement with Universal or by law, all rights required by law to Perform or make Conditional Downloads of such Universal Sound Recordings (e.g., in connection with DMCA-compliant webcasted radio).

5. Miscellaneous.

(a) Additional Terms and Conditions. The Additional Terms and Conditions set forth on Exhibit A hereto together with the other exhibits and attachments hereto are incorporated herein by reference and are hereby made a part of this Agreement.

(b) Confidentiality. Each Party will be required to keep the terms of this Agreement and the data provided pursuant to this Agreement confidential and will not be permitted to disclose the terms contained in this Agreement or data provided pursuant to this Agreement to any person other than its employees, record labels, representatives and agents (who have a need to know) without the prior written consent of the other Party. Notwithstanding the foregoing, Universal shall be entitled to share any data with Universal Artists and their representatives. Each Party will take reasonable precautions,

no less rigorous than those taken by such Party to prevent the unauthorized use or disclosure of similar information of its own, to prevent the unauthorized use or disclosure of such information. Nothing in this Agreement shall prevent the receiving party from disclosing Confidential Information to the extent the receiving party is legally compelled to do so by any governmental or judicial agency pursuant to proceedings over which such agency has jurisdiction; provided, however, that prior to any such disclosure, the receiving party shall (a) assert the confidential nature of the Confidential Information to the agency; (b) immediately notify the disclosing party in writing of the agency's order or request to disclose; and (c) cooperate fully with the disclosing party, at the disclosing party's expense, in protecting against any such disclosure and/or obtaining a protective order narrowing the scope of the compelled disclosure and protecting its confidentiality.

(c) Publicity. If either party desires to issue a press release, the parties will cooperate to develop mutually acceptable public announcements of this Agreement. Notwithstanding the foregoing, neither Party will, without the prior written approval of the other Party, (i) advertise or otherwise publicize, in a press release or otherwise, the existence or terms of this Agreement or any other aspect of the relationship between the Parties, or (ii) use the other Party's name or any trade name, trademark or service mark belonging to the other Party in press releases or in any form of advertising. Notwithstanding this Section, after the initial public announcement, RealNetworks may announce, in order to promote the availability of Universal Sound Recordings on the Service, that the Service contains sound recordings from Universal or Universal Artists subject to Section 3(e) of Exhibit A to this Agreement.

(d) Severability. The provisions of the Agreement are severable, and the unenforceability of any provision of the Agreement will not affect the enforceability of the remainder of the Agreement. The Parties acknowledge that it is their intention that if any provision of the Agreement is determined by a court to be unenforceable as drafted, that provision should be construed in a manner designed to effectuate the purpose of that provision to the greatest extent possible under applicable law. However, in the event such provision is considered an essential element of the Agreement, the Parties will promptly negotiate a valid and enforceable replacement therefor, which so far as possible and legally permissible achieves the same economic and other benefits for the Parties as the severed provision was intended to achieve.

(e) Headings. The headings inserted in the Agreement are for convenience only and are not intended to affect the meaning or interpretation of the Agreement.

(f) Construction. Each Party's counsel has cooperated in the preparation of the Agreement. Accordingly, in any construction to be made of the Agreement, the same will not be construed against any Party on the basis that such Party was the drafter.

(g) Notices. All notices or other communications that are required or permitted hereunder shall be in writing ("Notices") and deemed to have been duly given at the time of receipt if delivered personally or via overnight express, or three (3) days after being mailed, registered or certified mail, postage prepaid, return receipt requested. Facsimile and electronic mail transmissions shall not constitute valid Notices hereunder

(whether or not actually received). Notices to RealNetworks shall be marked to the attention of Vice President of Music Services or General Manager of Label Relations, with a copy to the Legal Director of Music Licensing. Notices to Universal shall be addressed to the addresses listed as follows, as applicable, or to such other address(es) as Universal may designate from time to time in writing:

(i) All payments shall be sent to:
Director of Finance, eLabs
Universal Music Group, Inc.
2220 Colorado Avenue
Santa Monica, CA 90404

(ii) All accounting statements shall be sent to umgdigitalfinance@umusic.com. If there is any problem with this email address, please send a hard copy of any applicable accounting statement to:
Senior Vice President, Royalties
Universal Music Group, Inc.
3800 Barham Boulevard, Suite 100
Los Angeles, CA 90068

(iii) All content management ingestion and metadata notices (non-legal) shall be sent to:
Vice President of E-Commerce & Metadata Management,
Common Label Operations
Universal Music Group, Inc.
3800 Barham Boulevard, Suite 100
Los Angeles, CA 90068

(iv) All technology (non-legal) notices shall be sent to:
Vice President, Technology, eLabs
Universal Music Group, Inc.
2220 Colorado Avenue
Santa Monica, CA 90404

(v) All weekly usage data reports shall be sent to:
Universal Music and Video Distribution – Reporting & Analysis
10 Universal City Plaza, Suite 400
Universal City, CA 91608

(vi) All monthly usage data reports shall be sent to:
eLabs Business Development
Universal Music Group
2220 Colorado Ave.
Santa Monica, CA 90404

(vii) All notices (legal and other except as specified in Sections 5(g)(i) through (v) above) shall be sent to:

Executive Vice President, Business & Legal Affairs
Universal Music Group, Inc.
2220 Colorado Avenue
Santa Monica, CA 90404

With a copy to:

Vice President, Business & Legal Affairs, eLabs
Universal Music Group, Inc.
2220 Colorado Avenue
Santa Monica, CA 90404

(h) No Third-Party Beneficiaries. The Parties agree that the Agreement will not be deemed or construed in any way to result in the creation of any rights or obligations in any Person not a Party to the Agreement, other than third Persons indemnified hereunder.

(i) No Agency. The Parties acknowledge that the employees of each Party are not employees or agents of the other Party. Nothing in the Agreement will be construed as creating a partnership, joint venture, or agency relationship between the Parties, or as authorizing either Party to act as agent for the other.

(j) Equitable Relief. The Parties hereto agree that: (i) Universal's rights to exercise and enforce the restrictions, limitations and qualifications imposed on the licenses granted, are of a special, unique, extraordinary and intellectual character, giving them a peculiar value the loss of which by Universal (1) cannot be readily estimated, or adequately compensated for, in monetary damages and (2) would cause Universal substantial and irreparable harm for which it would not have an adequate remedy at law, and (ii) Universal accordingly will be entitled to obtain equitable relief against RealNetworks (including temporary restraining orders, preliminary and permanent injunctive relief, and specific performance), in addition to all other remedies that Universal may have, to enforce the restrictions, limitations and qualifications imposed on the licenses granted. RealNetworks will not contest in any court or other judicial forum any of the matters stated in clause (i) above.

(k) Choice of Law. This Agreement and the rights and liabilities of the Parties will be governed by and construed in accordance with the laws of the State of California.

* * * * *

This Agreement is binding on the Parties immediately upon execution by RealNetworks and Universal. This Agreement may only be amended or modified by a written instrument signed by both Parties. This Agreement represents the entire agreement and understanding of the Parties with respect to the subject matter hereof and supersedes all

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prior or contemporaneous oral or written agreements or discussions by and between the Parties. Neither Party has entered into the Agreement in reliance upon a representation, warranty or undertaking of the other Party that is not set out or referred to in the Agreement.

REALNETWORKS, INC.

By: _____

Name: JEFF SCHROCK

Title: VICE PRESIDENT, BUSINESS DEVELOPMENT

UMG RECORDINGS, INC.

By: _____

APPROVED
BY: 2L / JSX
APR 13 2005
LEGAL DEPARTMENT
REALNETWORKS, INC.

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EXHIBIT A

ADDITIONAL TERMS AND CONDITIONS

1. Display Requirements.

(a) Copyright Information. RealNetworks will enable for display on each personal computer, and if commercially feasible, on each Home Media Receiver and Home Media Server and Permitted Device during the Performance and/or Conditional Download of each Universal Sound Recording the name of the artist, the name of the Sound Recording and the name of the album on which such Sound Recording is embodied in an easily legible manner and type font no smaller than that provided to any other Person that licenses Sound Recordings to RealNetworks. In addition, to the extent provided in the Metadata, RealNetworks will display sound recording copyright notices (e.g., (P) 2004 Geffen Records, Inc.), and if Album Cover Art is displayed the copyright notice for such art as well (e.g., (C) 2004 Geffen Records, Inc.). Where applicable, these two notices may be combined (e.g., (P)(C) Geffen Records, Inc.).

(b) Album Cover Artwork. RealNetworks will display on each personal computer and if commercially feasible, on each Home Media Receiver and Home Media Server during the Performance and Conditional Download of each Universal Sound Recording, Artwork for the Album release which contains such Universal Sound Recording. RealNetworks shall be required to use commercially reasonable efforts to develop expeditiously the ability to display, and thereafter to display, on each Permitted Device (excluding personal computers) during the Performance of each Universal Sound Recording, the Artwork for the release of such Universal Sound Recording.

2. Marketing.

(a) Links. RealNetworks will include on the Service when listing the Universal Sound Recordings available by any artist or when displaying editorial content or information about that artist (whether on the Service and/or the Website), hyperlinks that will permit End Users to access that artist's primary web site as designated from time to time by Universal, provided that Universal provides such hyperlinks to RealNetworks in XML format. During the Performance and/or Download of each Universal Sound Recording, RealNetworks will make available to End Users a hyperlink to an Internet music retailer web site, or a "buy button", through which the End User can purchase the applicable Universal Sound Recordings in physical or electronic format. All links will be in an easily legible manner and in the same size and prominence as any other links provided to any third parties on the Service which serve the same purpose.

(b) Marketing and Communication.

(i) General Promotional eMails. RealNetworks shall dedicate no less than twenty percent (20%) of the overall space (in the aggregate) of RealNetworks' online marketing emails, newsletters, and other similar email communications allotted to promoting the availability of artists and sound recordings available from the Service, to the promotion of, or communication of marketing news regarding, Universal Artists and/or Universal Sound Recordings (e.g., announcements regarding new releases), (which artists shall be designated by Universal and approved by RealNetworks); provided UMG's market share of Performances made on the Service is at least twenty percent (20%). In the event that UMG's market share falls below twenty percent (20%), RealNetworks may reduce this commitment proportionately but in no event shall RealNetworks dedicate less than 15% of the available space allotted to promoting the availability of artists and sound recordings available on the Service in the online marketing, emails, newsletters, and other similar email communications to Universal Artists and/or Universal Sound Recordings. For the avoidance of doubt, this obligation applies to emails dedicated to promoting the Service sent by RealNetworks to users of all of its services, including emails sent to individuals who have not registered for the Service. In no event shall Universal Artists and/or Universal Sound Recordings be promoted in fewer than twelve (12) emails per year (which emails are included in the twenty percent (20%) minimum promotional space.) If RealNetworks has a privacy policy that does not permit the activities required hereunder, then RealNetworks shall promptly modify such policy and further, RealNetworks agrees that it will not adopt any such policy during the period that this Agreement is in effect. Notwithstanding anything to the contrary contained herein, RealNetworks shall not be obligated to provide the specified space in its emails as provided in the second sentence hereof unless Universal has made a substantial amount of and continues to make Universal Content available to RealNetworks hereunder.

(ii) UMG Promotional Emails. RealNetworks shall send four (4) emails per year that include a Universal promotion (e.g., sweepstakes, contests, giveaways, etc.), which shall be designed to solicit email addresses which can be used by Universal. These emails will be sent to End Users of the Service who have opted in to receive such promotional emails. RealNetworks and Universal shall work together to develop such emails, which shall contain promotions for a Universal artist, which promotion shall be mutually agreed by the parties. To the extent any such promotion involves expense in excess of the design and delivery of the email (e.g., prizes, contest design), Universal shall be responsible for such expenses. Each of these emails shall include an "opt-in" box permitting End Users to sign up to receive promotional emails from Universal. RealNetworks shall provide Universal with the email addresses of all End Users who opt in through such emails to share their email addresses with Universal, no less frequently than once per month in any month in which RealNetworks collects such email addresses. Universal agrees that no email sent to any End Users who have opted in to share their email addresses under a promotion hereunder will contain any link or otherwise direct recipients to any third-party website or service or any other online music site or service. Universal further agrees that it shall not (i) send emails to the opt-in End Users more frequently than once every ninety (90) days, or (ii) sell, distribute or share these email addresses with any third party. These four designated emails per year shall be in addition to the twelve (12) email-minimum per year stated above, but shall be included in the over all twenty percent (20%) marketing obligation set forth above. For clarification, End Users referred to in these paragraphs 2(b)(i) and (ii) shall include End Users of all co-branded or white labeled versions of the Service. For the avoidance of doubt, the promotional commitments expressed in this Section 2(b) may be fulfilled in conjunction with the promotional commitments set forth in the Download Agreement (meaning the same email will fulfill both requirements), provided that the recipient base of any promotion includes both the recipient pool required by the Download Agreement and the recipient pool required by this Agreement.

3. Rights Limitations.

(a) Service Functionality. Streaming and Conditional Downloading under the Agreement will be permitted only through the Service. The Service will comply with all requirements set forth in the Agreement. There will be no syndication, co-branding or access to the Service from other web sites except as expressly permitted herein, or as necessary to allow for the delivery of the Service as more fully described in Exhibit B to the Agreement.

(b) Territorial Limitation; Territorial and Contractual Restrictions. The content rights granted in Section 2 of the Agreement will be limited to the United States, its territories, commonwealths and possessions (the "Covered Territory"). All servers storing any Universal Content will be located solely in the Covered Territory. RealNetworks will not be permitted by this Agreement to market or promote outside the Covered Territory the availability of Universal Content in the Service. RealNetworks will comply with the requirements of this Agreement to seek to ensure that all End Users of the Service are located within the Territory, in accordance with Section 7(c) of Exhibit A to the Agreement. Notwithstanding anything in the Agreement to the contrary, RealNetworks' rights hereunder are subject to all restrictions applicable to Universal or its label Affiliates with regard to any Universal Sound Recording, including, but not limited to, territorial and contractual restrictions, provided that Universal shall give RealNetworks written notice of any applicable restriction, and RealNetworks shall comply with such restriction within two (2) business days of the date of the notice.

(c) No Modification. RealNetworks will not edit, modify, defeat, impair, alter or prepare any derivative work from any Universal Sound Recording (other than as minimally necessary to exercise its rights hereunder), or any copyright protection technology or mechanism or Metadata embedded in or associated with a Universal Sound Recording.

(d) No Unauthorized Use; Advertising Restrictions. RealNetworks will not (i) use any Universal Sound Recording in any manner that Universal, in its sole discretion, finds offensive or injurious to its interests or the interests of any Affiliate label or Universal Artist(s) or (ii) without Universal's consent use any Universal Sound Recording for any on-line or off-line original programming (other than in programming RealNetworks' Rhapsody radio product or playlists on the Service), product tie-ins or marketing campaigns (other than as permitted herein) of any type or nature, including games or contests. Nothing herein is meant to limit RealNetworks' right to include the Universal Sound Recordings on any non-interactive Internet radio service which does not, by law, require a direct license with Universal. Except as set forth in Section 2(g) of this Exhibit A, RealNetworks will not display on the Service, or the Rhapsody player or the home page of any Co-brand version of the Service, or any web page that is part of the Service or Permitted Device that contains any Universal Content nor otherwise in any manner associate any Universal Artists or Universal Content with, (w) any advertising or hypertext link of any Person that is in the business of copying, distributing, facilitating or enabling the copying or distribution of copyright material in an unlawful manner or (x) any so-called peer to peer network that facilitates the redistribution of copyrighted material without authorization including but not limited to Kazaa, Gnutella, Musiccity, LimeWire, BearShare, Grokster,

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NeoNapster, WinMX, Music 369, 6arab, Musiclines, Cdcovers, Simplemp3s,OpenNap, IM, Bit Torrent, Rocketnet, MP2P, eDonkey, Piolet, Xolox, Blubster, iMesh, Morpheus, QTrax and any entity using the Fastrack or Gnutella file sharing software or (y) any bit-stream ripping software (or company distributing such software) such as Replay Radio or Replay Music or Total Recorder that is used to facilitate the reproduction of copyrighted sound recordings without license or authorization or (z) products or services for tobacco, pornography, firearms or any other product or service that is objectionable in the reasonable judgment of Universal, provided that Universal provides reasonable notice to RealNetworks of its view that a product or service is objectionable. Notwithstanding the foregoing, an occasional unintentional, inadvertent, non-recurring breach of this Section 3(d) of Exhibit A as it relates to advertising on the Service or links from or to prohibited entities shall not constitute grounds for Universal to terminate this Agreement or sue for damages provided that such breach is cured within three (3) business days following notification from Universal. Additionally, Universal may either, as its sole remedy, (1) terminate this Agreement, or (2) cease the delivery of new Universal Sound Recordings to RealNetworks, in the event that RealNetworks advertises any Service that contains Universal Sound Recordings on or through (e.g., as a spoof) an entity that is distributing or involved in the distribution of Sound Recordings without a license from all copyright owners thereof. Such entities and/or distribution methods shall be deemed to include, but not be limited to, Kazaa, Gnutella, Musiccity, LimeWire, BearShare, Grokster, NeoNapster, WinMX, Music 369, 6arab, Musiclines, Cdcovers, Simplemp3s,OpenNap, IM, Bit Torrent, Rocketnet, MP2P, eDonkey, Piolet, Xolox, Blubster, iMesh, Morpheus, QTrax and any entity using the Fastrack or Gnutella file sharing software.

(e) Restrictions on Use of Name and Likeness. Universal is not granting in this Agreement the right for RealNetworks to use the name or likeness of any artist or artists in any television, radio, print or other off-line advertising medium or on-line or electronic advertising. Without limiting the generality of the foregoing, Universal grants to RealNetworks the right to display the Artwork solely "in connection with the sale or promotion" of the corresponding Universal Sound Recordings. The display of any Artwork shall be deemed "in connection with the sale or promotion" of the Universal Sound Recordings if there is an obviously displayed hyper-text link connecting an End User to an opportunity to access the Universal Sound Recording concerned, within at least two "clicks" from the display of the Artwork. Other approved images, likenesses and other materials that RealNetworks may use in connection with such promotions are available through www.umvd.com. RealNetworks' use of any such other images, likenesses or other materials shall be subject to the terms and conditions set forth by UMVD.

(f) Universal Intellectual Property.

(i) As between Universal and RealNetworks, Universal is the sole and exclusive owner of the Universal Content and all intellectual properties and rights related thereto. Without limiting the generality of the foregoing, the Agreement does not grant to RealNetworks (i) any copyright ownership interest in any Universal Content; (ii) any rights outside the Covered Territory; or (iii) any rights to any endorsement by Universal or any other Person. RealNetworks will not attempt, represent, or purport to transfer to any Person any rights of ownership in or to any of the Universal Content.

(ii) As between RealNetworks and Universal, RealNetworks is and shall remain the sole and exclusive owner of all right, title and interest in and to the Service, and the Rhapsody Platform including all copyright, patent, trademark, trade secret and other rights therein and thereto, other than any Universal Content contained therein. Universal does not, and shall not by reason of this Agreement or otherwise, acquire any copyrights, patents or other rights in and/or to such property.

(g) Peer to Peer Agreements. If RealNetworks (or an Affiliate of RealNetworks) enters into an agreement (or a third party enters into such agreement on its behalf) with an entity that is unlawfully distributing or involved in the business of unlawful distribution of Sound Recordings without a license from all copyright owners thereof, RealNetworks shall immediately notify Universal in writing. Such entities and/or distribution methods shall be deemed to include, but not be limited to, Kazaa, Gnutella, Musiccity, LimeWire, BearShare, Grokster, NeoNapster, WinMX, Music 369, 6arab, Musiclines, Cdcovers, Simplemp3s,OpenNap, IM, Bit Torrent, Rocketnet, MP2P, eDonkey, Piolet, Xolox, Blubster, iMesh, Morpheus, QTrax, any entity using the Fastrack or Gnutella file sharing software and any bit-stream ripping software (or company distributing such software) such as Replay Radio or Replay Music or Total Recorder. If RealNetworks fails to (a) notify Universal and (b) terminate said agreement or (c) where applicable, cause the third party acting on its behalf to terminate said agreement, it shall be deemed a material breach of this Agreement. RealNetworks hereby warrants and undertakes that it and to the best of its knowledge any such third party acting on its behalf are not at the date of this Agreement party to such an agreement. Notwithstanding the foregoing, the above referenced prohibition shall not apply to promotional links to the Service placed by a major search engine advertising program (e.g., Google, Yahoo or Overture), where such program does not allow RealNetworks to discriminate and filter among websites to which the search engine provides such promotional links, provided that RealNetworks must promptly take commercially available measures, including utilizing all channels established by any

such search engine, to request or have that the search engine terminate its agreement to provide advertising and promotional links to any entity (or that entity's website) that would fall within the above-referenced prohibition on peer-to-peer agreements. If the number of promotional links placed by the search-engine advertising program to websites falling within the above-referenced prohibition on peer-to-peer agreements exceeds a *de minimus* amount, then Universal may terminate or modify this limited exception to the general prohibition on peer-to-peer agreements set forth in this Section.

(h) No Further Licensing or Obligation. Except for the rights granted by Universal to RealNetworks in Section 1 of the Agreement, no further grant of rights is granted to RealNetworks in or under the Agreement, either by implication or estoppel. To the extent that RealNetworks chooses to acquire copies or phonorecords of Universal Content for use on the Service, it will acquire such copies or phonorecords through lawful channels and at its sole expense.

(i) Permitted Devices. RealNetworks shall make Universal Content available to End Users only through the Internet and only by use of (A) full featured personal computers (such as a desktop or laptop running Windows 95, 98, 2000 or XP or Mac OS 8, 9 and (B) Home Media Servers and Home Media Receivers, so long as the End User manages his or her subscription to the Service on a personal computer or Home Media Server; provided in each above case, that the devices can *(x)* render music, display the Copyright Information required by Section 1(a) of this Exhibit A and *(y)* enforce the security specifications set forth in this Agreement (including Exhibits B-1 and B-2) and *(z)* in the case of personal computers and Home Media Servers, connect to the Internet, even if an End User of such device accesses the Internet through a wireless modem or other wireless connectivity (collectively "Permitted Devices"). RealNetworks will not be permitted, nor shall it permit its customers to pre-load or pre-cache files containing Universal Content to any Permitted Device without prior written consent from Universal. This Agreement does not prohibit RealNetworks from pre-caching RAD files on servers controlled by those Co-Brand Partners that have been approved by Universal under this Agreement in order to more efficiently deliver the Service to End Users, provided that the RAD files are encrypted as set forth in Exhibit B and provided further that in no event shall the so-called "EA" files needed to render the audio be stored on such Co-Brand partners' servers.

(j) No Downloads or Performance Other than Streaming or Conditional Downloads. The Web Site(s) and/ or Service will not permit End Users to obtain, access or listen to Universal Sound Recordings by any means other than Streaming or Conditional Downloading as permitted under Section 2 of the Agreement, except as otherwise permitted pursuant to a written agreement between the Parties. RealNetworks will not operate the Web Site or Service in a manner that would permit an End User to Download to any storage medium (except a temporary buffer) all or any portion of a Universal Sound Recording, other than Conditional Downloads as permitted under Section 1 of the Agreement. Notwithstanding the foregoing and provided RealNetworks is in compliance with the applicable terms and conditions of this Agreement, this Agreement shall not prohibit the Service from (i) selling permanent Downloads to End Users pursuant to the Download Agreement, (ii) streaming the Rhapsody Radio product to End Users separately or as part of the Service or (iii) providing so-called 'music management functionality' through a software player that also accesses the Service.

(k) Individual, Personal Consumption Only. RealNetworks shall be permitted to make Streams and Conditional Downloads of Universal Sound Recordings only directly to End Users who are consumers (e.g., natural persons who listen to Performances for their own personal use for entertainment purposes and not for resale, redistribution, syndication, use in providing goods or services, or distribution or retransmission of Performances or Conditional Downloads to any other Person), and not to business customers. Nothing in this Section is intended to prevent co-branding and syndication of the Service as otherwise permitted in the Agreement.

(l) Co-Branding and Syndication Restrictions. RealNetworks may not enter into arrangements with other Persons for the co-branding of the Service ('Co-Brand Partner"), without Universal's prior written consent, provided that if Co-Brand Partner falls within the guidelines set forth in this Section 3(l) of Exhibit A ("Co-Branding Guidelines"), Universal shall not unreasonably withhold or delay such consent. RealNetworks shall seek Universal's consent over co-branding relationships that fall within the Co-Branding Guidelines as follows: At least fourteen (14) days before the launch of the proposed co-branding relationship, RealNetworks shall notify Universal of the proposed Co-Brand Partner via facsimile and e-mail to the Senior Vice President of Business Development and Business Affairs for eLabs, and the Vice President of Business Development and Business Affairs eLabs (e-mail, addresses and phone numbers shall be provided by Universal) and shall confirm the receipt of such notice via telephone. If Universal does not object to or confirm consent via e-mail or facsimile to RealNetworks, within ten (10) days from the telephone confirmation of the above-referenced notice, then the potential Co-brand Partner shall be deemed approved by Universal. The Parties agree that the immediately preceding sentence shall be effective only through June 20, 2005; thereafter the Parties agree that such sentence shall be deemed deleted from the Agreement and that the so-called 'negative

approval' concept set forth therein shall not apply. At any time during the Term, if an approved Co-Brand Partner through merger, acquisition or by business plan, falls outside of the Co-Branding Guidelines set forth in this Section 3(1), then Universal may, in its discretion, withdraw any previously granted consent. The above referenced procedure does not apply to Universal's consent to any potential Co-Brand Partner that falls outside of the Co-Branding Guidelines, which consent shall be given in a timely manner in Universal's sole discretion . The Co-Branding Partners with which RealNetworks has existing relationships and are listed in Exhibit C are pre-approved as Co-Brand Partners. The Co-Branding Guidelines are as follows:

(i) RealNetworks shall maintain control over the Streaming, Conditional Downloading and management of when and which Sound Recordings are Streamed to the End User;

(ii) All Universal Content shall be made available (a) solely through the Service (including wherever such service is syndicated), and (b) through Servers;

(iii) Any Co-Brand Partner cannot be subject to a filed petition under the United States Bankruptcy Law, any receivership statute or other similar insolvency law;

(iv) The Service offered by the Co-Brand Partner is the Service described in Exhibit B, herein;

(v) Each page view that forms a part of the Service shall clearly and legibly attribute to RealNetworks (or its wholly owned subsidiary listen.com) the goods and services provided by RealNetworks or its wholly owned subsidiary in connection with the Service (e.g., "Presented by RealNetworks.com").

(vi) Such Person may not offer the Service via a mobile platform (i.e., to mobile phones or other mobile wireless devices, but excluding wireless Internet access to a personal computer or other Permitted Device);

(vii) Such Person cannot be a Music Company or a Person in which a Music Company has a collective ownership interest of 30% or more;

(viii) Such Person cannot (i) be engaged in the business of copying, distributing, facilitating or enabling the copying or distribution of copyright material without authorization or (ii) be an entity whose primary purpose is the sale or facilitation of the sale of used or previously owned Compact Discs or Phonorecords (e.g., including but not limited to half.com, spun.com secondspin.com), or (iii) be engaged primarily in the business of manufacturing, producing, selling or distributing alcohol, tobacco, gambling, pornography, firearms or any other product or service that is objectionable in the reasonable judgment of Universal;

(ix) Such Person must comply, in its provision of the Service, with all terms and conditions applicable to RealNetworks pursuant to the Agreement;

(x) The Service as Co-Branded must comply with all applicable terms and conditions of the Agreement;

(xi) The Co-Brand Partner shall only offer the Service to End Users, and may not enter into any Co-Branding, business to business or syndicate agreements for the Service.

(m) No Bundling. Neither RealNetworks nor a Co-Brand partner will be permitted, acting alone or in concert with any other Person, without prior written approval from Universal in its sole discretion, to aggregate the Service together with any RealNetworks or any third party products or services to be sold as if a single service or product except for Rhapsody Radio which may be aggregated with the Service, provided that the applicable terms and conditions of this Agreement are satisfied. For avoidance of doubt, and by way of example only, if the Service is offered at a discounted rate in connection with the purchase of another product (e.g., broadband access or software), this shall be considered a "bundle" under this Section and shall require prior written approval from Universal.

(n) End User Agreement. RealNetworks will make the Service available to an End User only pursuant to such End User's written agreement (which can be a "click license" so long as the consumer must affirmatively agree) which will include the following provisions or substantially similar provisions:

(i) You understand that the Service and software includes security components that permit digital information to be protected and use to occur only as permitted by usage rules set by and/or content providers who provide content ("Content") to the Service. As such, certain special considerations apply. By installing, copying, or otherwise using the Service or its software, you acknowledge that you have read and understood this License Agreement, and agree to be bound by its terms and conditions. If you do not agree to (or cannot comply with) the terms and conditions of this License Agreement, do not install, copy, or use the Service, software or any Content; and

(ii) Because the Service and software include security components, special rules and policies apply. You agree that you will not reverse

engineer, decompile, disassemble, or otherwise tamper with any of the security components, special rules or other protection applications for any reason whatsoever. You agree to abide by the rules and policies established from time to time by Licensor. Such rules and policies will be applied generally in a nondiscriminatory manner to users of the Service and software, and may include, for example, required or automated updates, modifications, and/or reinstallations of the software and obtaining available patches to address security, interoperability, and/or performance issues.

(iii) The Software may enable you to listen to, view, and/or read (as the case may be) music, images, video, text, and other material that may be obtained by you in digital form. This material, collectively Content, may be owned by Licensor or by third parties. However, in all circumstances, you understand and acknowledge that your rights with respect to Content you obtain for use in connection with the Software will be limited by copyright law and by the Usage Rules, as described in the Terms and Conditions presented upon registration for the Service. "Usage Rules" are the licensing rules assigned by Licensor and/or the pertinent Content owner to Content that limit your access to and use of it. The Usage Rules approved by Licensor the pertinent Content owner in respect of Content will govern your rights with respect to that Content regardless of whether unauthorized rules have been associated with that Content by another party.

(iv) The Software may enable you to listen to, view, and/or read (as the case may be) music, images, video, text, and other material that may be obtained by you in digital form. This material, collectively Content, may be owned by or by third parties. However, in all circumstances, you understand and acknowledge that your rights with respect to Content you obtain for use in connection with the Software will be limited by copyright law and by the Usage Rules, as described in the Terms and Conditions presented upon registration for the Service. "Usage Rules" are the licensing rules assigned by Licensor the pertinent Content owner to Content that limit your access to and use of it. The Usage Rules approved by Licensor and/or the pertinent Content owner in respect of Content will govern your rights with respect to that Content regardless of whether unauthorized rules have been associated with that Content by another party. You further agree that you will not attempt to modify the software or any of the Usage Rules for any reason whatsoever, including for the purpose of disguising or changing ownership of the Content.

(v) The Software enables Licensor to control your access to Content in accordance with the Usage Rules. Licensor (for themselves and for their Content licensors) reserve the right to enforce the Usage Rules with or without notice to you.

(vi) Furthermore, Licensee and/or the owners of the Content may, from time to time, remove Content from the Service without notice.

4. Data Reporting. For the period through December 31, 2004, RealNetworks shall provide Universal all the usage data and reports required under the UMG Recordings, Inc. Sound Recordings Agreement dated June 19th, 2002, as amended. Commencing January 1, 2005, RealNetworks will provide to Universal, in the forms set forth in Annex II attached to the Agreement, the information set forth below in an electronic spreadsheet, pipe delimited format that complies with other reasonable technical specifications provided by Universal. The following information will be provided to Universal by RealNetworks no less frequently than monthly (or as otherwise specified in Annex II) in an electronic format:

(a) By artist by Sound Recording and album title, with respect to Universal Sound Recordings, the number of Performances of Universal Sound Recordings, and (ii) By artist and by Sound Recording, with respect to Universal Sound Recordings, the number of Conditional Downloads of Universal Sound Recordings;

(b) Total number of Performances of Streams and Conditional Downloads of Universal Sound Recordings.

(c) Total aggregate number of Performances of Streams and Conditional Downloads of all Sound Recordings, including Universal Sound Recordings;

(d) (i) List of top fifty (50) Sound Recordings (regardless of label) Performed and (ii) List of top fifty (50) Sound Recordings (regardless of label) Streamed and Conditionally Downloaded;

(e) (i) Total number of End Users who have received a Performance of a Universal Sound Recording during the preceding sixty (60) days, and (ii) total number of End Users who have received a Conditional Download of a Universal Sound Recording during the preceding sixty (60) days;

(f) To the extent RealNetworks collects such information, the average number of hours of listening per End User per week; the average number of hours End Users spend on the Service per week; the average peak hours of listening per End User per week during the week; the average peak hours during the weekend of listening per End User per week;

(g) To the extent RealNetworks collects such information, the following demographic data on End

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Users of the Service on an aggregate, masked, non-personally identifying basis, age (e.g., ranges 14-18, 19-25, etc.), sex , city of listening experience and zip code, and

(h) On a quarterly basis, (i) the number of trial subscriptions, (ii) the aggregate number of Performances made as part of such trial subscriptions to the extent such data is collected by RealNetworks, (iii) the conversion rate to from trial subscriptions to paying subscriptions, (iv) any other data related to the trial subscriptions that is reasonably requested and mutually agreed upon, excluding customer specific information and (v) upon Universal's reasonable request, and in a non-written format, RealNetworks' general plans for trial subscription marketing for the remainder of the Term (provided that RealNetworks shall not be restricted in any manner, except as otherwise set forth in this Agreement, from changing its plans in the ordinary course of business).

(i) On a quarterly basis, the number of unique paying End Users during the month who: (i) purchased a permanent download on the Service; (ii) downloaded a Conditional Download; (iii) listened to a Stream.

(j) On quarterly basis, the number of Performances on each component of the Service (e.g., Rhapsody Radio vs. "on-demand" streams) as set forth in the form included in Annex II.

(k) Such reasonable and appropriate additional data as Universal may reasonably request RealNetworks to collect and provide to Universal and as RealNetworks agrees is reasonable and appropriate. Monthly data reports shall be sent to an email address to be provided by Universal.

5. Payment Procedure and Late Payments.

(a) Payment Procedure. Unless otherwise specified in the Agreement all payments payable by RealNetworks hereunder will be paid to Universal within thirty (30) days after the end of each Accounting Period (or partial Accounting Period in the event of an early termination or expiration before the calendar close of such Accounting Period) of the Term, either in Dollars by wire transfer (with twenty-four (24) hours advance Notice from RealNetworks of each such wire transfer) or by such other method agreed upon by the Parties, to such bank account or accounts as Universal will designate in writing within a reasonable period of time prior to such due date which period shall not be less than two (2) business days Any payments received by Universal will be applied first to any late charges and, thereafter, to any unpaid fees. All payments for Permanent Downloads sold to End Users shall be governed by the Download Agreement.

(b) Late Payments. With respect to late payments from RealNetworks, Universal reserves the right require RealNetworks to pay a finance charge of one and one-half percent (1½%) per month, or the maximum rate permitted by law, whichever is less, from the date that any payment was first due under the Agreement (following two (2) business days Notice that the payment is late, and opportunity to cure) until the date such payment is made. RealNetworks agrees to pay all reasonable collection costs, including without limitation court costs, attorneys' fees and costs incurred in litigation or collection of any judgments, associated with any unpaid monies due to Universal hereunder.

6. Reporting, Payments and Auditing.

(a) Record Keeping. RealNetworks will keep full, true and accurate books (including electronic records, such as tags, etc.) of account, in accordance with GAAP, containing all particulars and reasonable supporting documentation that may be necessary for the purpose of determining the fees to be paid under the Agreement and RealNetworks' compliance in other respects with its obligations under the Agreement (inclusive of technical obligations), including but not limited to all data used and/or relevant in calculating Gross Revenues pursuant to Section 14(r) of this Exhibit A (as set forth in greater detail in Section 6(b) below). Payment shall be directed in accordance with Section 5(g) of the Agreement and 5(a) of this Exhibit A.

(b) Reporting. Within thirty (30) days after the end of each Accounting Period of the Term, or at such other times as may be applicable under the Agreement, RealNetworks will render reasonably detailed accountings, in substantially the form set forth in Annex III attached to the Agreement, to Universal. Each such accounting statement will include a reasonably detailed presentation of the computation of the following for the immediately preceding Accounting Period: (i) RealNetworks' Gross Revenues; (ii) aggregate number of Performances of Universal Streams and Conditional Downloads; (iii) with respect to Performances of each Universal Stream and Conditional Download, to the extent that Universal has provided the applicable Metadata, the following information for the Sound Recording performed: (1) the UPC or catalog number of the album; (2) the name of the artist; (3) the International Standard Recording Code ("ISRC") code number, (4) the track title and number; and (5) the side number of the track; (iv) aggregate number of all Performances of Streams and Conditional Downloads (including Universal Streams and Conditional Downloads); (v) an explanation in detail of how RealNetworks calculated the Universal Proportionate Share; and (vi) such other matters as Universal may reasonably request and the Parties mutually agree is appropriate for RealNetworks to provide to Universal. With each such accounting statement, RealNetworks will deliver

the payment, if any, owing to Universal for such Accounting Period, in a manner consistent with Section 5 of this Exhibit A. Accounting Statements shall be sent to Universal at the address specified in Section 5(g) of the Agreement.

(c) Audit Rights. Universal will have the right to appoint an independent third-party auditor to examine RealNetworks' books and records, including all electronic records and data, for the purpose of auditing RealNetworks' compliance with its obligations hereunder, for a period of up to three (3) years after the end of the Term (with Universal being required to file a notice of intention to audit prior to the end of such three (3) year period) and no more than once per calendar year. Universal will give RealNetworks thirty (30) days prior notice of its intention to conduct an examination, provided however, if it is a system audit, RealNetworks shall have the right to postpone such audit one time for up to fourteen (14) days for compelling business reasons. RealNetworks agrees to furnish all pertinent books and records, including electronic records and data, to Universal's authorized representatives during customary business hours, provided that RealNetworks data may be reviewed only by the authorized independent third party auditor, unless RealNetworks can identify a conflict of interest or some other material fact that would disqualify such auditor (in which case Universal shall be entitled to appoint a different independent auditor); and provided, further, that such third party auditor shall not be permitted to disclose to Universal such data beyond that which is necessary to report to Universal the results of the audit or to permit Universal to enforce its rights pursuant to the Agreement. Such books and records including records of End User access to the UMG Sound Recordings to the extent necessary to verify whether the royalties paid to Universal hereunder are correct, will be kept by RealNetworks in accordance with GAAP and will be retained for at least three (3) years following the end of the Term. Expenses incurred by Universal for any examination conducted by Universal under this Section 6(b) will be paid by Universal, unless such examination results in a determination that RealNetworks' actual payments for the period examined were more than seven percent (7%) below the payments as required under the Agreement, or (ii) that RealNetworks was not otherwise in substantial compliance with the material requirements of the Agreement concerning security issues, in which case RealNetworks will pay for the costs of the audit. The exercise by Universal of any rights under this Section 6(b) will not prejudice any other rights or remedies of Universal, including any other rights of either party to dispute any amounts owed to the other under the Agreement.

7. Technical Specifications and Security Specifications.

(a) Format. In accordance with Exhibit B (Functionality and Security Specifications) and this Section 7 of this Exhibit A, RealNetworks will use a secure Streaming and Conditional Download format that is at least as secure as that commonly accepted as an industry standard for secure Streaming and Conditional Downloading and that shall be subject to Universal's prior written approval, and such formats remaining current with commonly accepted industry standards for secure formats. Universal approves the Streaming format set forth in Exhibit B-1.

(b) Technical Specifications and Security. RealNetworks will implement one or more formats consistent with the Security Specifications set forth in Exhibit B-1 and B-2 and this Exhibit, and cease using formats that are inconsistent with Exhibits B-1 and B-2, within six (6) months after Universal gives written notice to RealNetworks of:

(i) security specifications that have been developed pursuant to an industry-wide consensus or industry-wide agreement of copyright owners and technology companies in an open, fair, voluntary, multi-industry standards process; or

(ii) security specifications that have been implemented through an industry-wide consensus or industry-wide agreements, among or between copyright owners and technology companies, as updated from time to time.

(c) Policies And Procedures for Restricting Access To The Web Site and/or the Service To Only End Users Within The Territory. RealNetworks will perform the following procedures:

(i) Verify that the End User has a mailing address in the Covered Territory through a system pre-approved by Universal in writing;

(ii) Verify that the country of origin in RealNetworks' music software registration of an End User is within the Covered Territory through a reverse domain procedure or similar verification pre-approved in writing by Universal; or

(iii) Verify that the End User's mailing address as reflected in the files of the financial institution providing such End User's credit card is located within the Covered Territory.

(d) Policies And Procedures For Handling "Hacking" Of The Web Site And/Or Service And Potential Theft Of Universal Sound Recordings.

(i) RealNetworks will protect all Universal Content with security methods at least as

effective as methods standard in the industry for protection of high-value, confidential material. The security methods must be designed to prevent all unauthorized access to Universal Content as stored on any of RealNetworks' servers and, Permitted Devices. RealNetworks will actively and regularly monitor the effectiveness of such security measures.

(ii) RealNetworks will provide a description of security methods and security monitoring procedures for Universal Content upon request by Universal.

(iii) If RealNetworks becomes aware of a breach of RealNetworks' internal network security, RealNetworks will take immediately all technically practicable measures necessary in order to prevent unauthorized access to Universal Content.

(iv) RealNetworks will "lock-out" any individual as soon as possible after its discovering such End User's "hacking". Any End User account for the individual will immediately be denied access to Universal Content. If the individual is traceable to a specific IP address, RealNetworks will prevent any End User from accessing Universal Content using such IP address.

(v) If possible, RealNetworks will identify such individual(s) responsible for such "hacking," and will either (i) undertake all steps necessary to pursue prosecution of such individual(s), or (ii) shall use its commercially reasonable efforts to support Universal in its efforts in this respect at Real Network's option.

(vi) RealNetworks will report and notify Universal in writing all "hacking" incidents that may expose Universal Content to unauthorized access within five (5) day of its becoming aware of such "hacking" incident.

(e) Policies And Procedures For Implementing Safeguards In Response To The Availability Of "Bit-Pirating" (Bit Stream Capture) Software.

(i) Unless otherwise approved in writing by Universal, RealNetworks will transmit and permit the transmission of Universal Sound Recordings only using the following streaming formats ("Approved Streaming Formats"): RealAudio, Microsoft Windows Media, AAC, MP3, MP3Pro, ATRAC 3 and Apple QuickTime. RealNetworks' proprietary streaming delivery system as described in Exhibit B is hereby deemed an Approved Streaming Format for security purposes, provided that Universal Sound Recordings are rendered in one of the Approved Streaming Formats listed in this Section.

(ii) RealNetworks will obtain and install all security patches and upgrades available for Approved Streaming Format server software within ten (10) days of availability with respect to any Streaming Format that RealNetworks is using in the provision of Universal Sound Recordings.

(iii) If either Universal or RealNetworks becomes aware that any "bit-pirating" or "hack" software, hardware, or any combination thereof (*i.e.*, software that allows for the capture of digital audio transmissions of sound recordings on the Service) ("Hack Tool"), or any method or procedure by which End Users are able to obtain unauthorized access to, or make copies of, Universal Content through the Subscription Service ("Hack Methods"), becomes available or used for an Approved Streaming Format used on the Service, such Party shall immediately notify the other Party. Upon learning of the availability of such Hack Tools or Hack Methods, RealNetworks shall immediately notify the company that developed the Streaming format in an effort to work with such company or other companies who have developed anti-bit stream capture technology to obtain a patch, method or upgrade that will defeat the Hack Tools and Hack Methods, and prevent the capture of digital audio transmissions through such Streaming format on the Service.

(iv) If RealNetworks fails to take all technically practicable steps to prevent unauthorized access to or copying of Universal Content, including without limitation, by obtaining and installing a patch or upgrade as referenced in Section 7(e) of this Exhibit A, then within ten (10) days of learning of the existence of such Hack Tools or Hack Methods, RealNetworks will, upon Universal's request, immediately discontinue using such Approved Streaming Format for the transmission of Universal Sound Recordings until such time as it has successfully taken all such steps necessary to prevent such unauthorized access to, or copying of, Universal Content.

(f) Policies and Procedures for Internal Security System Policies and Procedures. RealNetworks will institute and follow internal security system policies and procedures, including without limitation internal user account management policy (e.g., segregation of duties in the production environment, departed employee accounts must be prompt cancellation of control of internal user accounting through logs, rights limitations, password policies, time out functions, 'need to know restrictions', etc.), disaster recovery plans (e.g., backup procedures for critical data such as usage and royalty data must be protected in the event of environmental or other types of disasters), software change management and documentation of formal test plans and approvals, for the purpose of protecting Universal Content in accordance with the industry standards for the protection of highly valuable confidential information. RealNetworks shall provide Universal from time to time, but no more than one time per year, upon Universal's written request, a copy

of documentation and procedures with regard to the above-referenced security systems.

(g) Security Incidents. If either Universal or RealNetworks discovers that RealNetworks' Service is not complying with any requirements set forth in this Section 7 of this Exhibit A or that any security measures enacted by RealNetworks have been breached, including, without limitation, instances where End Users as a result of such breach can download a separate, complete and usable copy of Sound Recordings by capturing such Sound Recordings in digital format as performed by RealNetworks to any storage device in violation of the Agreement (a "Security Incident") and RealNetworks either (i) has actual knowledge of such breach or (ii) receives Notice of such breach from Universal, then RealNetworks will be required to remove promptly all Universal Content from the Service involved in the Security Incident, but in no event later than three (3) business days after acquiring such actual knowledge or Notice. Notwithstanding the foregoing, in the event RealNetworks reasonably determines that the relevant security measure can be repaired, updated or improved such that similar Security Incidents are unlikely to occur in the future and such repair, update or improvement can be made, and is in fact made, within five (5) business days, then RealNetworks will not be required to so remove Universal Content. If RealNetworks removes Universal Content as required by this Section 7, then RealNetworks will thereafter have thirty (30) days within which to develop new security measures to prevent Security Incidents, subject to Universal's approval of such measures. If RealNetworks fails to remove Universal Content from the Service(s) as required by this Section 7(g), then such failure will be deemed a material breach of the Agreement. If RealNetworks develops security measures that are approved by Universal, then RealNetworks will be permitted to make Universal Content available on the Service(s) and the Term will be extended by the number of days during such thirty (30)-day period when the Universal Content was removed from such the Service.

(h) Audio Quality. RealNetworks shall be permitted streams at a bit rate not greater than one hundred and ninety-two (192) kilobits per second to deliver. Universal may permit higher bit rate transmissions in writing at its sole discretion.

8. Takedown Rights. Universal will have the right, with respect to any Universal Sound Recording, to have RealNetworks remove such Sound Recording from the Web Site as soon as possible, but in no event later than two (2) business days after Universal's requesting such removal. Universal will not exercise such Takedown Rights in a manner that otherwise would defeat or frustrate the rights granted to RealNetworks under the Agreement.

9. Indemnification.

(a) Indemnification by RealNetworks. RealNetworks will defend, indemnify and hold harmless Universal, its Affiliates, and their respective directors, officers, agents, employees and independent contractors from and against all claims, liabilities, suits, losses, damages and expenses, in each case brought by or claimed by any third party including (without limitation) costs and reasonable fees of attorneys and other professionals (collectively, "Claims") relating to, arising out of or resulting from (i) any actual or alleged infringement of any third party copyright, patent, trademark, trade secret, or other proprietary right of any Person by the Web Site and/or the Service or the components and operations thereof (other than third party claims of infringement relating to RealNetworks' use of Universal Content as authorized by this Agreement and provided that RealNetworks' specific use at issue is in accordance with the terms of this Agreement) (ii) RealNetworks' failure to comply with all laws and regulations applicable to the operation of the Web Site and/or the Service, including, without limitation, the collection, use and distribution of any End User data by RealNetworks; (iii) RealNetworks' failure to make any third party payments relating to the use in the Service of musical works embodied in the Universal Sound Recordings; (iv) any use of the Universal Content in the Service by RealNetworks that is not authorized by this Agreement or any other applicable agreement between Universal and RealNetworks, or authorized by statute in the case of Rhapsody Radio; and/or (v) RealNetworks' breach of any representation, warranty or covenant hereunder. In the event RealNetworks becomes aware of any potential Claim, RealNetworks will provide prompt written notice thereof to Universal. RealNetworks will take no legal action or any other legal measures to protect the Universal Content without first obtaining Universal's prior written approval.

(b) Universal's Indemnification. Universal shall defend, indemnify and hold harmless RealNetworks, its Affiliates, and their respective directors, officers, agents, employees and independent contractors from and against all third-party initiated Claims (which Claims shall be handled in accordance with Section 9(c)) relating to or resulting from (i) the breach of any representation or warranty made by Universal in this Agreement, or (ii) any use of the Universal Content and/or Metadata which is permitted under this Agreement (excluding damages arising from RealNetworks' failure to fulfill its obligations hereunder).

(c) Indemnification Procedures. In connection with any Claim or action described in this Section 9, the indemnified party (i) shall give the indemnifying party prompt written notice of the claim (provided, however, that failure to provide such notice shall not relieve indemnifying party from its liability or

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obligation hereunder, except to the extent of any material prejudice as a direct result of such failure), (ii) shall cooperate with the indemnifying party (at the indemnifying party's expense) in connection with the defense and settlement of the claim, and (iii) shall permit the indemnifying party to control the defense and settlement of the claim, provided that the indemnifying party may not settle the claim without the indemnified party's prior written consent (which shall not be unreasonably withheld or delayed) in the event such settlement places any liability or obligation on the indemnified party. Further, the indemnified party (at its cost) may participate in the defense of the claim through counsel of its own choosing.

10. Prohibition Against Assignment. Neither Party will assign the rights granted, or obligations undertaken, herein without the other Party's prior written consent; provided, however, that Universal may assign its rights and obligations herein to any Universal Affiliate. No approved or permitted assignment or change of control shall relieve Universal or the new controlling party of performing all of its duties and obligations hereunder.

11. Expenses. Except as otherwise provided in Section 6(b) of this Exhibit A, each Party will pay all of its own expenses, including attorney's fees incurred in connection with the negotiation of the Agreement, and the performance of its obligations hereunder.

12. Rights Cumulative. Except as expressly provided in Section 3 of this Exhibit A, the rights and remedies provided herein and all other rights and remedies available at law or in equity are, to the extent permitted by law, cumulative and not exclusive of any other right or remedy now or hereafter available at law or in equity. Neither asserting a right nor employing a remedy will preclude the concurrent assertion of any other right or employment of any other remedy.

13. No Waiver of Rights. No failure or delay on the part of any Party in the exercise of any power or right hereunder will operate as a waiver thereof. No single or partial exercise of any right or power hereunder will operate as a waiver of such right or of any other right or power. The waiver by any Party of a breach of any provision of the Agreement will not operate or be construed as a waiver of any other or subsequent breach hereunder.

14. Definitions.

(a) "Accounting Period" means each calendar month period (or partial calendar month period, as the case may be) during the Term.

(b) "Affiliate" means, with respect to any Person, (a) any other Person of which securities or other ownership interests representing fifty percent (50%) or more of the voting interests are, at the time such determination is being made, Beneficially Owned or Controlled by such Person, and (b) any other Person which, at the time such determination is being made, is Controlling, Controlled by or under common Control with such Person.

(c) "Agreement" has the meaning set forth in the preamble.

(d) "Artwork" means the album front-cover packaging artwork associated with the current album release containing the particular Universal Sound Recording(s) concerned.

(e) "Asset & Metadata Recipient Guide" means the explanation of Universal's content management system as set forth in Annex I hereto and incorporated herein by reference, and as may be modified from time to time by Universal.

(f) "Beneficial Owner" of any security or other ownership interest means any Person who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares (a) voting power, which includes the power to vote, or direct the voting of, such security or interest, or (b) investment power, which includes the power to dispose, or to direct the disposition, of such security or interest.

(g) "Business Rules" has the meaning set forth in Exhibit B.

(h) "Claims" has the meaning set forth in Section 9(a) of this Exhibit A.

(i) "Conditional Download" means a Download of any Universal Sound Recording, which Download is subject to the following limitations and restrictions: (i) the Electronic Digital Copy resulting from such Download may reside solely in: (i) for the Non-Portable Tier, an aggregate of three (3) personal computer or Home Media Server hard drives , each of which are owned or controlled exclusively by the End User that has requested such Electronic Digital Copy, and for the Portable Tier, in addition to that stated above, two UMG-approved portable devices. (ii) the Download will automatically be disabled and/or deleted and permanently erased from the End User's computer or Home Media Server hard drive upon the expiration or termination of the End User's subscription to the Service and/or upon the occurrence of an event under the Agreement that would exclude the Download in question from the scope of the grant of rights from Universal under this Agreement (e.g., a "takedown" event); (iii) the Download complies with the Business Rules; and (iv) the Download complies with any other limitations or restrictions which may be provided for pursuant to this Agreement, or otherwise agreed to between the parties hereto.

(j) "Content Fees" means those fees due and payable to Universal by RealNetworks under Sections 2(b) through 2(e) of the Agreement.

(k) "Control" means Beneficial Ownership, directly or indirectly, by a Person of more than fifty percent (50%) of the voting power of another Person, or who acquires the ability to control the conduct of the business of the other Person.

(l) "Covered Territory" has the meaning set forth in Section (b) of this Exhibit A.

(m) "Download" means an electronic transmission of data which results in the creation of an Electronic Digital Copy.

(n) "Effective Date" has the meaning set forth in the preamble.

(o) "Electronic Digital Copy" means a copy of any data or content, including without limitation the Universal Content, in a digital format. A temporary copy of content resident on a medium or device while waiting to be transferred between two (2) locations in the same machine or device in a manner that is substantially contemporaneous with the transmission of such copy, as in the case of "buffering" or "caching" during the transmission of a Download will not, for that reason alone, constitute an "Electronic Digital Copy" of the content concerned.

(p) "End User" means consumers (i.e., natural persons who listen to Streams and Conditional Downloads for their own personal use for entertainment purposes and not for resale, redistribution, syndication, use in providing goods or services, including public performance in a place of business, or distribution or retransmission of Streams or Downloads to any other Person) who are able to access the Service. For purposes of clarity, any so-called 'send a playlist' feature that has otherwise been approved by Universal will not be considered a violation of any prohibition against redistribution under this Agreement.

(q) "GAAP" means Generally Accepted Accounting Principles.

(r) "Gross Revenues" means:

(i) all sums payable or credited to, or received by, RealNetworks (and any of its Co-Brand Partners, e.g., the retail revenues) in consideration for the Service (including access to the Service)

(ii) third-party advertising of all kinds on the Service (including, without limitation, audio and visual advertising, sponsor "hot links" and the provision of time or space on the Service to any third person) net of advertising commissions actually paid in consideration of the sale of advertising on the Service to legitimate advertising agencies unrelated to RealNetworks (but the allowance for commissions will not exceed forty percent (40%) thereof);

(iii) net sales of third-party products and services sold on the Service, including proceeds from sales of third-party products and services through a co-branded version of the Service distributed by a Co-Brand Partner, and computed as follows: all amounts paid by customers to RealNetworks (and any of it Co-Brand Partners) in consideration of such products or services, minus (A) the wholesale price of the third-party products and services minus (B) returns, sales and use taxes, shipping, bad debts, credit card and other service fees paid to unrelated third Persons. Notwithstanding the foregoing, revenue derived from sales of hardware devices that can (among other purposes) playback digital music available on the Service, and are compatible with the Digital Rights Management functionality of the Service shall be excluded from the Gross Revenue calculation.

(iv) access to or use of the Service, or portions thereof, including, without limitation, subscriptions, affiliate payments from Internet service providers and connection charges for the Service or online access charges imposed in order to access the Service, but excluding general online access or cable access charges by Co-Brand Partners or third parties provided that such general access is not packaged with a Premium Version of the Service. For the purposes of this Section 14(r), a "Premium Version" of the Service means a version that either (X) provides higher bit-rate sound recordings than the generally available version of the Service or (Y) contains significant additional Universal Content such as music videos or additional catalogue (e.g., addition of a major recording act not available elsewhere).

(v) access to, use of, or upgrades to any proprietary software used for access to a Premium Version of the Service or Performances or Conditional Downloads of Universal Sound Recordings; and

(vi) e-commerce bounties or click-through royalties, or referral or affiliate program fees collected by RealNetworks from third parties in consideration of distributing products, services or advertising through the Service; with the exception of revenue derived from sales of hardware devices that can (among other purposes) playback digital music available on the Service, and are compatible with the Digital Rights Management functionality of the Service.

For purposes of determining any non-cash component of Gross Revenues, such non-cash consideration will be accounted for based on the fair market value of any goods, services or other personal, tangible or intangible property received (except as otherwise

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determined consistent with GAAP). In the case of fees collected in consideration for the bundled offering that includes Rhapsody Radio and the Service, RealNetworks shall be entitled to deduct from the calculation of "Gross Revenues" an amount equal to fifteen percent (15%) of the Gross Revenues collected for such bundle, but in no event more than $1.50 per Subscriber per month who has access to Rhapsody Radio. Gross Revenues specifically excludes revenues received for (i) sales of Sound Recordings to End Users in the form of so-called permanent Downloads through the Service or Real Network's online permanent Download store; or (ii) sales of compact discs sold on or through the Service. Gross Revenues shall specifically exclude any taxes collected on behalf of government or regulatory entities.

The Parties acknowledge that during the Term, subject to any applicable terms and conditions contained in the Agreement, the Service may be integrated into the RealPlayer, the Rhapsody media player, or another media player and that revenues specified above in Sections 14(r)(ii)-(vi) derived from any such media player shall not be deemed Gross Revenues unless such revenues were derived by RealNetworks as a result of a Subscriber or Free Trial User that is (x) logged into the Service and (y) is accessing the page or access point from which an End User can request on-demand Streams or Conditional Downloads, or the page from which an End User can access the bundled Rhapsody Radio product. By way of example, if an End User is logged on to the Service and is listening to on-demand streams and such End User views advertising banners on web pages of the RealPlayer that are dedicated to video games, the revenue derived from such advertising page views shall not be considered Gross Revenues. However, if the same End User views the same advertising banners on web pages of the RealPlayer from which such End User can change the on-demand stream to which such End User is listening, the revenue derived from such advertising page views shall be considered Gross Revenues hereunder.

Revenues from advertising and from other revenue sources embedded in the Streams or Conditional Downloads or Streams of the bundled Rhapsody Radio product shall qualify as Gross Revenues under this Section. For the purposes of this Gross Revenues definition, a 'Subscriber' shall mean an End User who is paying for access to the Service and a 'Free Trial User' shall mean anyone who can access the Service and is not a Subscriber.

(s) "Hack Methods" has the meaning set forth in Section 7 of this Exhibit A.

(t) "Hack Tool" has the meaning set forth in Section 7 of this Exhibit A.

(u) "Home Media Receiver" means a non-portable device (e.g., certain stereos and so-called set-top boxes) (i) that receives a Stream of Sound Recordings from a personal computer or Home Media Server and does not contain permanent local memory storage and (ii) connects to a personal computer or Home Media Server through a home networking or other configuration in order to render Performances of the Universal Sound Recordings, and (iii) in each case enforces the security requirements set forth herein and in Exhibits B-1 and B-2.

(v) "Home Media Server" means a non-portable device (e.g., certain stereos and so-called set-top boxes) that (i) performs personal computer-like functions as it relates to the Service (e.g., music library management, downloading) and (ii) contains local memory storage and (iii) connects to the Internet in order to perform library management, download files, and enable the rendering of Performances of the Universal Sound Recordings (among other audio and visual files) (iv) in each case enforces the security requirements set forth herein and in Exhibits B-1 and B-2.

(w) "IP" means Internet Protocol.

(x) "ISRC" has the meaning set forth in Section 6(b) of this Exhibit A.

(y) "Metadata" shall mean the fields of information (e.g., artist name album name, UPC Code, catalog number, if applicable, track name and ISRC) described in detail in the Asset & Metadata Recipient Guide.

(z) "Music Company" means a company that is in the business of recording and distributing Sound Recordings such as a record label, or an online music subscription service or any entity that is at least a thirty (30%) percent owner of an online music subscription service. This definition also includes any companies controlling, under control of, or in common control with a Music Company.

(aa) "Non-Portable Subscriber" means an End User and any other individual, natural Person who has subscribed to (or otherwise registered for and/or has any access rights to) the non-Portable Tier offered by the Service.

(bb) "Notice" has the meaning set forth in Section 5(g) of the Agreement.

(cc) "Party" and "Parties" have the meaning set forth in the preamble.

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(dd) "Performance" means each instance in which all or any portion of a Sound Recording is publicly performed by means of a digital audio transmission to an End User (e.g., the transmission of a Sound Recording to an End User's Permitted Device), or, in the case of a Conditional Download, each time the Conditional Download of a Universal Sound Recording is played or performed on a Permitted Device. For the sake of clarity, a licensed performance of a Universal Sound Recording on Rhapsody Radio shall not be considered a Performance under the Service.

(ee) "Permitted Devices" has the meaning set forth in Section 3(i) of this Exhibit A.

(ff) "Person" means a natural person, a corporation, a limited liability company, a partnership, a trust, a joint venture, any governmental authority or any other entity or organization.

(gg) "Portable Subscriber" means an End User and any other individual, natural Person who has subscribed to (or otherwise registered for and/or has any access rights to) the Portable Tier offered by the Service (i.e., the ability to access the Service using a portable Permitted Device).

(hh) "Portable Tier" means that tier of the Service in which End Users will be permitted to transfer, subject to the terms of this Agreement, content to portable Permitted Devices that use the Janus DRM or a similar UMG-approved DRM for playback, regardless of whether an End User accesses the Service in any given month and regardless of whether an End User accesses the Service through any portable Permitted Device in any given month.

(ii) "RealNetworks" has the meaning set forth in the preamble.

(jj) "Reproduction" means each phonorecord of a Universal Sound Recording made by or for RealNetworks, whether made for central or regional servers, for streaming in varying bit rates or formats, or for other purposes.

(kk) "Rhapsody Platform" has the meaning set forth in Exhibit B to this Agreement.

(ll) "Rhapsody Radio" is the Internet radio service that is bundled with the Service as of the Effective Date.

(mm) "Security Incident" has the meaning set forth in Section 6(b) of this Exhibit A.

(nn) "Security Specifications" means the security specifications with respect to which Universal gives RealNetworks notice pursuant to Section 7(b) of Exhibit A.

(oo) "Server" means any computer hardware server that is used to facilitate access to or the delivery of the Service, which must at all times be controlled by RealNetworks even if located in a co-hosting facility.

(pp) "Service" means the Rhapsody on-demand Streaming and Conditional Download subscription service operated by RealNetworks as specifically described in Exhibit B to the Agreement. It also includes the actual Streams and Conditional Downloads themselves.

(qq) "Sound Recording" has the meaning set forth in 17 U.S.C. § 101; provided that each track or portion thereof embodied on an album will constitute a "Sound Recording" for purposes of this Agreement.

(rr) "Streaming" a Sound Recording will mean to perform publicly the Sound Recording, from servers owned or controlled by RealNetworks, by means of an Internet transmission that is substantially contemporaneous with the audible rendering of the Sound Recording on an End User's Permitted Device, using a technology that is not designed to result in a reproduction of the Sound Recording on such End User's personal computer, Permitted Device or any other device that would be usable without a simultaneous, active connection to the digital transmission source or after the cessation of the transmission, other than a transitory reproduction required to render such contemporaneous performance (*e.g.*, a data buffer). Universal understands that, as more fully described in Exhibit B, RealNetworks utilizes a proprietary Streaming technology on the Service whereby a portion of each encrypted digital file embodying a Sound Recording is transmitted and copied by RealNetworks onto such End User's Permitted Device in an encrypted fashion and another portion is Streamed to a user's Permitted Device and interacts with the encrypted data residing on the Permitted Device

(ss) "Term" has the meaning set forth in Section 4(a) of the Agreement.

(tt) "Universal" has the meaning set forth in the preamble.

(uu) "Universal Artist" means the featured individual or band whose performance is embodied on Universal Sound Recording.

(vv) "Universal Content" means the Universal Sound Recordings and the front-cover album artwork for the current album release containing such Universal Sound Recordings.

(ww) "Universal Conditional Download" means a Conditional Download of a Universal Sound Recording.

(xx) "Universal Performance" means a Performance of a Universal Sound Recording.

(yy) "Universal's Proportionate Share" means either the fraction where (x) the numerator is the number of Performances of Universal Streams plus the number of plays/Performances of Universal Conditional Downloads accessed on the Service during the relevant Accounting Period and (y) the denominator is the number of Performances of Streams plus the number of plays/Performances of all Conditional Downloads of all Sound Recordings (including Universal Sound Recordings) accessed on the Service during the relevant Accounting Period.

(zz) "Universal Sound Recording" means any Sound Recording embodied on any album for which Universal has the right to grant the Stream or Conditional Download right within the Covered Territory and which Universal has made available hereunder, subject to the terms and conditions of the Agreement.

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EXHIBIT B-1

Rhapsody

1. Introduction

The next generation of the RHAPSODY digital music client software and service from RealNetworks will launch in spring '05. It seamlessly blends industry-leading subscription services, a la Carte music downloads, and robust media player functionality into one simple package.

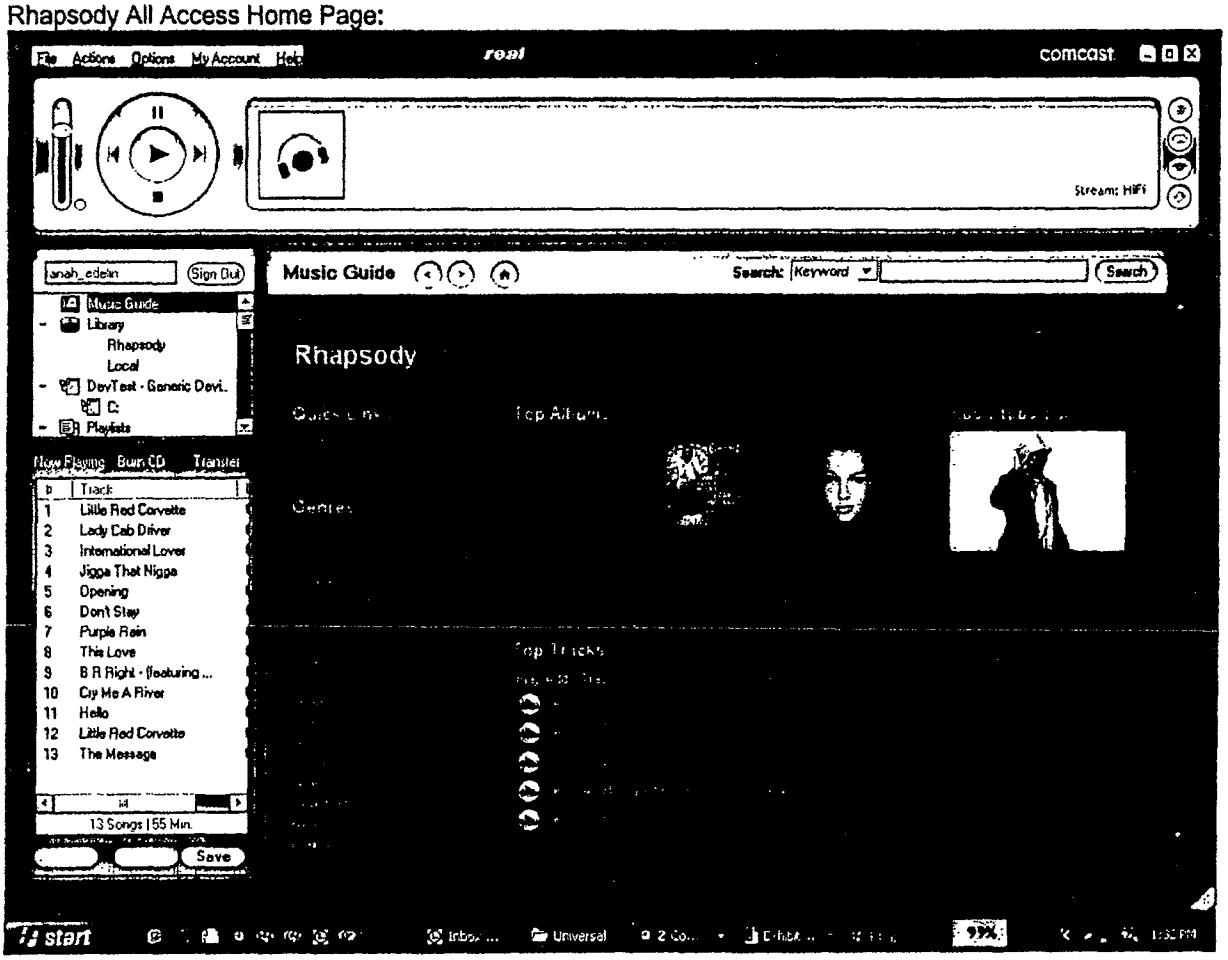
2. Overview of User Experience

RHAPSODY has been designed with the needs of our users in mind and to give music lovers a complete music experience.

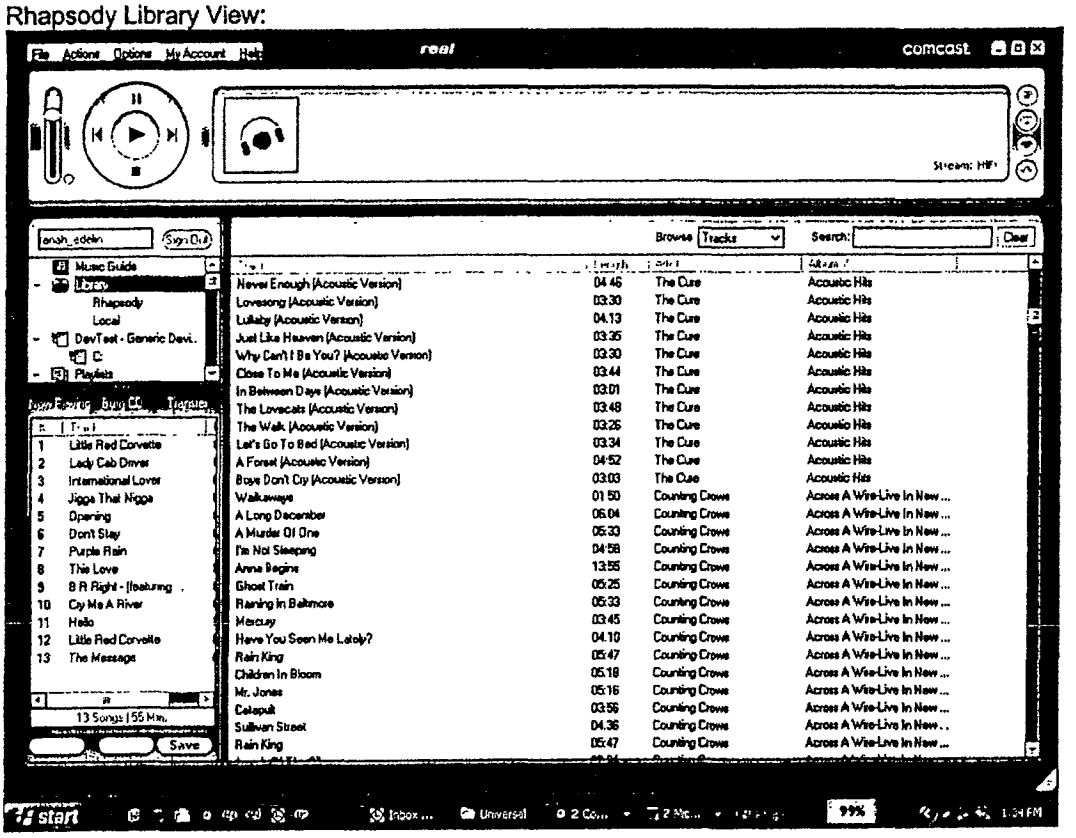
Rhapsody now offers two subscription packages. Rhapsody Unlimited offers subscribers streaming access to full length songs of our catalog. They can save songs from the Rhapsody catalog to their local library as a bookmark or as a download tethered to their PC which can be played when the user is not connected to the internet. In addition, they can import a variety of content that is resident on their PC into the Rhapsody library, thus providing a complete solution for enjoying audio content. Rhapsody To Go is a new service tier that allows the subscriber to transfer songs from our catalog to an appropriate device for a flat recurring fee without incurring an additional charge per song. These subscribers also have the features included in the Rhapsody Unlimited service. Subscribers to both services have the ability to purchase individual songs and albums for an extra fee that gives them access to the said content past the termination of their subscription.

All users of Rhapsody will be able to burn songs to CD or transfer songs to a portable device (as long as they have the rights to do so), watch music videos, manage content on devices, play CDs, and enjoy other standard PC-based music player features.

Rhapsody All Access Home Page:



Rhapsody Library View:



In addition to the Service, there will also be other features included as part of the Rhapsody software, which are outlined below:

(1) Rhapsody will be a robust music media player
   a. Provide all the media player features that users need for a complete music experience.
      i. Online and offline library management & playback
      ii. Ripping, burning
      iii. File tag viewing & updating
      iv. Graphic EQ

(2) Rhapsody users will be able to play ALL of their music using the Rhapsody Client
   a. Enable users to mix their on-demand streaming music with their downloaded music collections and even CDs.
      i. Applies to playback, CD burning, and device transfer
      ii. High degree of flexibility and seamless music listening. Don't worry about what format it is, just play the music!
      iii. Get ALL your music in one place.

(3) Rhapsody will be usable offline
   a. Enable users to manage and play downloaded music (permanent purchases and other owned music) when not connected to the Internet.

b. Enable subscribers to play subscription content when not connected to the internet.

(4) Rhapsody will enable users to buy high-quality downloads of the music they want for a low per-track fee ($0.99) – right from the player (Subscribers will be able to purchase music for permanent ownership at a discount)
   a. Purchased music will also be added to subscribers' streaming music collections so they can access the music wherever they are.

(5) Rhapsody will have numerous music portability options
   a. Burn CDs
   b. Transfer unprotected songs to a wide range of devices.
   c. Transfer purchased content securely to devices that support appropriate security mechanisms using our Harmony technology.
   d. Transfer subscription content securely to devices that support appropriate security mechanism. Currently we are using Microsoft Windows Media Rights Manager (Janus).
   e. Listen via connected home stereo components (NetGear, DMA's etc)
   f. Access the Service from any PC

(6) Rhapsody will have flexible subscription options. Customers will be able to use Rhapsody in the way that fits their music needs.
   a. Just use Rhapsody for its media player features (no subscription or upgrade required at this time)
   b. Buy a-la-carte tracks from the integrated music store/gude (no subscription required)
   c. Subscribe to Rhapsody Radio for access to our entire set of internet radio stations and features.
   d. Subscribe to Rhapsody Unlimited for full on-demand access to our catalog. The service will include Radio features. This will allow for offline access to the catalog tethered to the PC.
   e. Subscribe to Rhapsody To Go for portable access to our catalog. The songs can be transferred to approved portable devices.

3. Functional Components

3.1. Description of Components

Windows Client: Every customer requires access to this component to experience the Rhapsody Service and the Music Store.

Rhapsody Application Server: This Java based server encapsulates all the business logic to handle Rhapsody subscriptions, music downloads, ecommerce engine and other modules to respond to the client requests.

Database System: Stores all the metadata, rights information, member data, usage data, content location and other persistent data.

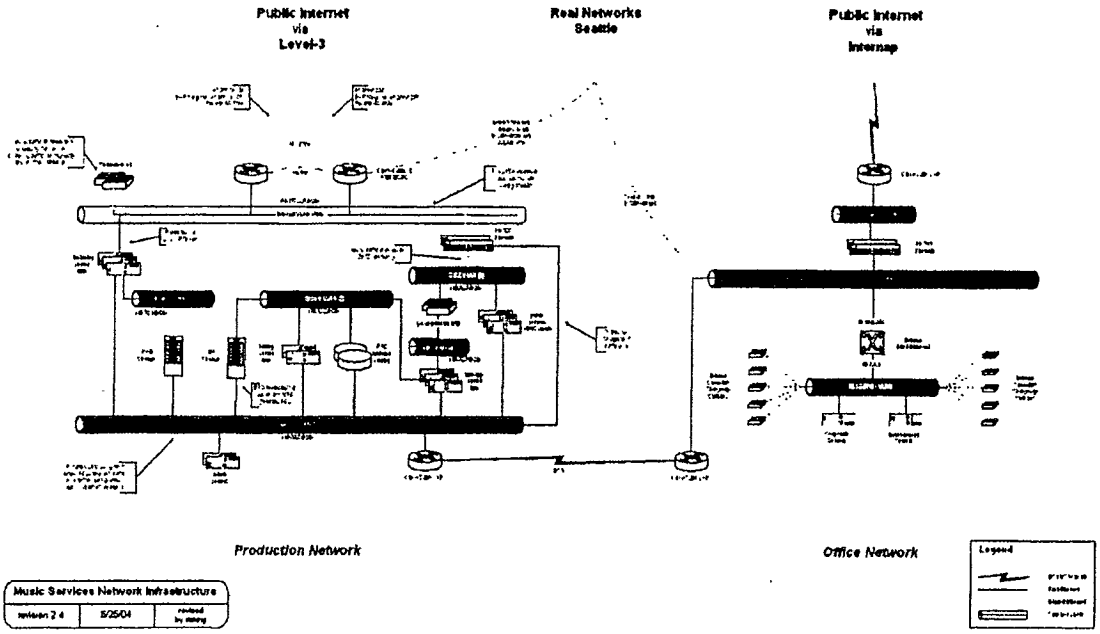
Content Server: Storage and distribution of RAD files for Rhapsody and files for music downloads.

Data Warehouse: System to compute usage statistics, royalty, bounty and other business analytics.

Helix DRM System: Server and technologies that license music downloads for permanent use.

Windows Rights Management Server: Supports Janus technology for offline playback of Rhapsody service content on the PC as well as transfer to portable devices for the To Go Service.

3.2. System Diagram



4. General System Security

4.1. System Location

Systems for the Rhapsody service are housed in two locations. Systems responsible for serving customer traffic are located in Sunnyvale at Level(3)'s co-location facility. Systems responsible for content ingestion, data warehousing, and development/QA are located at RealNetworks' San Francisco office.

The connectivity of the system is a high-capacity, dual Gigabit fiber feed to our co-location (Level3) provider's Internet backbone. The network infrastructure is a combination of redundant Cisco and Foundry load balancers, firewalls, switches and routers. The service was designed for scalability and robustness through the implementation of clusters of web servers, application servers, databases and streamers. Our network schema and security has been reviewed and approved by Cisco. The actual scalability metrics and procedure for growing the network is confidential and proprietary information, but it should be noted that Real's local caching approach allows for greater scalability through the more efficient use of bandwidth.

4.2. Protection Against Unauthorized Local Access

The Level(3) facility is protected by the use of biometric scanners, magnetic keycard system, and locked cages. Each authorized employee has a unique combination of card key and biometric signature, both required to gain access to the facility. Our cage within the facility is protected with a standard keyed lock. Currently, four people have access to the cage (two Systems Administrators, the Group Manager, and the General Manager of Engineering). The systems in SF are locked and only authorized employees have access to the systems.
The system is currently behind a keycard-locked door. Only facilities and operations have access. Facilities has a process in place to review the access logs for that door. All users (outside of automated systems) will be given named accounts, instead of role-based accounts currently used by editorial and content teams. This will allow logging of individual user activity. In addition, we will regularly review user access patterns via

automated log analysis and generated reports. This will allow us to identify irregularities such as high-volume data transfers and off-hours activities.

We will work to increase the physical security of the systems up to industry standard levels of security over the next 6 months.

4.3. Protection Against Unauthorized Network Access

We use a combination of ip-filtering mechanisms, including Cisco PIX firewalls, Cisco IOS access control lists, and linux iptables. Systems that provide connectivity to external partners only allow specific IP addresses. Systems serving general customer traffic are blocked to only specific ports (HTTP/HTTPS, DNS, SMTP are the only ports used in this manner). In addition to ip-filtering, we have segmented traffic with switched VLAN's to further secure systems involved in billing and DRM.

4.4. Operating System & Software Policies

Firewalls are the first line of defense from worms and other security vulnerabilities. No Microsoft Windows servers are allowed to directly serve customer traffic (in fact, only two Windows systems are used in our Level(3) facility, neither of which can reach the internet directly). We regularly use Windows Update, Redhat up2date, and individual patch downloads when we receive a vulnerability notification (via BugTRAQ, RedHat Network or McAfee AVERT)

4.5. Security Breach Plan

Rhapsody system logs most client actions that involve playback, purchase and other content related activities. This information can be cross-checked against the file downloads to monitor for misuse. User abuse can be fixed by revoking the user accounts, revoking user license for the system upon next access and finally repackage the content with new DRM keys.

5. Content Ingest, Storage, and Packaging

5.1. Format and Codec

The streaming component of Rhapsody is currently served in WMA 128 kbps quality. The store downloads are currently RA10 (AAC) 192 kbps quality, wrapped in the Helix DRM. For offline playback of songs that are tethered to the PC and for moving them to portable devices, Rhapsody uses Microsoft Janus DRM wrapped WMA files encoded at 160Kbps.

5.2. Content Ingestion

Content Management and Security

The encoding process is managed by RealNetworks using both CD ripping and digital delivery from Labels. The packaged content is hosted either on the servers hosted by RealNetworks, or by one of the CDN (Content Delivery Network) partners of the Company. The company network is protected using industry standard firewalls and other network security mechanisms. The environment is monitored constantly for any breach to initiate appropriate action.
The audio content is packaged (for downloads) using Helix DRM with individualized content keys as well as distilled (for streaming) via the RAD-EA process. The entire process is secure with access to the systems available to a group of authorized content operations and network engineering staff members.

Real manages a complex database to make sure that the rights for download and stream content are up to date and maintained. This ensures that the appropriate content will be displayed and accessible for streaming versus permanent purchase.

5.3. Protection of Raw Audio and Metadata

A total of thirteen (13) employees currently have access to the AAC archive, which is the only location that permanently stores raw audio (three Systems Administrators, two Software Development Engineers, Engineering Group Manager, four employees from Content Operations, and three employees from Editorial)

5.4. DRM Packaging and Key Management

The Helix DRM is used for downloads. Content keys are unique for each track, and are encrypted with the Helix DRM packager's public key. Only the Helix DRM license server has the private key. This system is protected with multiple layers of security, as described in sections 4.2 and 4.3

5.5. QA & Testing

All content is processed by the Content Encoding and Publishing System (CEPS). A major portion of CEPS is a database-driven workflow system, which runs on a farm of Microsoft Windows systems. Various checks are done by the farm during each step of the workflow (such as filesize check, verification of AAC decode, etc). Usually content received before 6pm PST is live by 3am PST the next day.

6. Retail Site Integration

Our system can handle multiple retailers although currently all of our retail partners are selling the same catalog of UMG music. We manage this by setting up different co-brand partners so that we can segment and track the activity by co-brand partner. At this time all of our co-brand partner servicesare managed and operated the same way in that we manage and operate all aspects of the Rhapsody branded service to the end-user.

7. Sales, Download and Licensing

7.1 Downloads on Rhapsody:

The user is able to purchase downloads from the Service by clicking on any of the songs in the guide and clicking the "buy track" button. After the user authenticates his/her account via password, the user is billed and the song is downloaded to the user's hard drive. All elements of downloading and licensing purchased tracks is the same as the procedure in Exhibit B-1 of the Wholesale Download Agreement between Real and UMG effective December 23, 2003.

Rhapsody now supports an extension to the Unlimited service where users can select to download content to their PC for offline playback. In addition, if the user subscribes to our To Go service, they are able to move the content to portable devices until their subscription expires. For this service, Rhapsody uses Microsoft Windows Media DRM wrapped WMA files encoded at 160Kbps.

7.1.1 Licensing of Janus Content:

Rhapsody uses the Windows Media DRM version 10 to tether subscription based content licenses to the users machine. Windows Media DRM 10 introduces a new interesting feature called license chaining that can be utilized to bind content to a user. License chaining allows licenses for several pieces of content to be linked to a single root license. This root license can be set expire at the end of a user's billing cycle; it can also be revoked, or if expired it can be renewed. Expiring, revoking, and renewing the single root license affects all of the content that is linked to it.

In this design each user is linked to root license via the licenses RootKeyID. When generating licenses for a particular user, the server will need to look up the RootKeyID given the Rhapsody User ID.

If more than one user resides on a machine, content may be linked to more than one root license. Which root license is selected is determined only by the licenses priority, in that higher priority licenses will be evaluated in place of lower priority licenses. If two or more licenses exist for a given piece of content, the Windows Media DRM will select one. The application cannot specify what license will be used in this case.

When subscription content is downloaded, the server delivers a license so the content can be accessed as soon as it finishes downloading. However licenses for this content expire and need to be renewed periodically.

Additionally a user may copy their content from one PC to another PC (registered or unregistered) and attempt to access the content from the new PC. In cases such as these, the client will need to request a license from the server as opposed to having the server pre-deliver it.

Issuing licenses at the time the content is accessed requires the client to make a license request to the server. The server needs to be able to link the license request back to a user account and check the status of the account to see if it is OK to issue a license. It also needs to know the Machine ID of the PC that is making the request so it can determine if this PC needs to be registered to issue the license. If the server determines that the state of the user's account allows a license to be issued, the server creates a license and returns the license to the client. Otherwise an error is returned.

7.1.2 Metering of Janus Content:
Rhapsody will require subscription downloads to be metered for their usage. Tracking and reporting of content usage will leverage the Windows Media DRM Metering APIs.

The Windows Media DRM tracks content usage for any piece of content whose license contains a metering certificate. The DRM will track content usage regardless of which application acts on the content. It is the responsibility of the application that is tied to a particular metering service, to report this metering data to a server that records the metering data for the service. The process of reporting metering data is kicked off by the client application when it calls WM DRM APIs to generate a metering challenge. This metering challenge contains the metering data encrypted with the public key of the metering certificate. The metering challenge is also assigned a transaction ID. This transaction ID can be used to handle problems such as loss of Internet connection and device disconnect during the reporting process.

Once the server receives the metering challenge it decrypts it using the private key of the metering certificate. After the challenge has been decrypted, the metering data may be accessed and recorded. Once the data is recorded the server generates a metering response that contains the same transaction ID as the challenge. This is sent back down to the client, which in turn passes it to the WM DRM APIs. The metering response indicates to the DRM that the counters reported in the last transaction should be cleared.

The Windows Media DRM uses the presence of a metering certificate in the content license to indicate that usage should be tracked for a particular piece of content. To acquire a metering certificate we must generate a public-private key pair (i.e. via WMRMKeys.GenerateSigningKeys) and send the public key along with the reporting URL of our service to Microsoft. Microsoft will send back a signed metering certificate, which will contain the metering ID and the URL of our service.

The private key in the above key pair must be kept secure to keep metering data private and from being tampered with during the reporting process.

7.1.3 Device transfer limitations

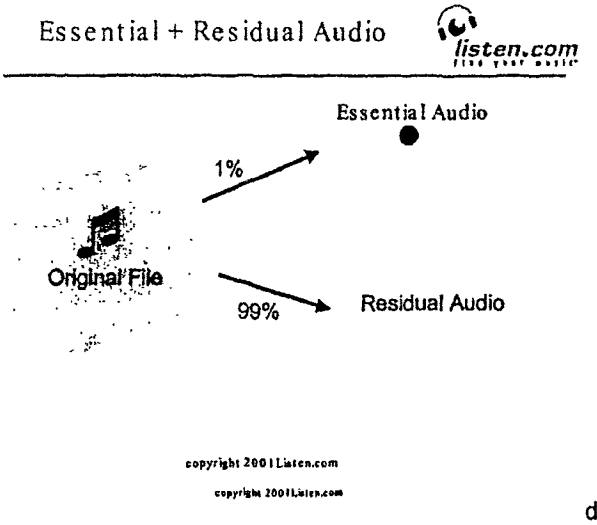
The Rhapsody service will create a leaf license for each piece of content with the ability to transfer to 3 devices. The licenses will only allow transfer when the root license is active. Rhapsody restricts the number of machines that a user can have simultaneously activated and issues a revocation of the root license before extending the number of active machines.

7.2 The Service - RealNetworks Streaming Technology White Paper

Overview

Real has developed an innovative media delivery technology that solves many of the problems associated with traditional Internet media streaming. Specifically, we have designed a hybrid streaming/caching system that uses storage on the client device, allowing us to deliver the bulk of the data prior to broadcast time and enabling a superior streaming experience.

Essential and Residual Audio



Prior to transmission, media files are separated into two parts through a patent-pending process called "distillation". Distillation produces a large file of "Residual Audio" data (RAD) and a smaller file of "Essential Audio" data (EA). Distillation provides an added security benefit – RAD files and EA files are essentially useless without the presence of the other and the explicit knowledge of how to recombine the two.

The encrypted RAD file is a non-real-time component that cannot be rendered as music. RAD files can be delivered prior to playback through a variety of bandwidth-saving means including off-peak network scheduling, CD-ROM installation, hard-drive pre-population, or peer-to-peer connection. In the case of peer-to-peer distribution of RAD files, a user's computer may act as an HTTP server to deliver a RAD file that is on that user's computer that has been requested by another individual. For the purposes of this Agreement, the RAD files shall not be pre-distributed except as set forth in Section 3(i) of Exhibit A.

The EA file, which includes data required for playback, is delivered in real-time in segments via the Internet and an authorized connection to the Listen Server. As the EA data trickles in, it is combined with certain data included in the RAD file and the resulting audio data is rendered by the audio playback subsystem. Once the audio data is rendered, both the EA data and the audio data are immediately discarded, such that a complete image of the original media file is never created. All user-client interactions are time-stamped, logged, and archived for data mining purposes.

Since the bulk of the data is delivered and aggregated in advance to the client and the real-time portion is small, buffering times are minimized. Additionally, since the RAD files are delivered using ordinary HTTP protocol and HTTP file servers, the requirements imposed upon the Listen Servers are minimal. This results in a system that scales to accommodate large numbers of users exceptionally well.

Platform is Codec-Agnostic

The distillation process is codec-agnostic, and can be used with any file type. The playback system can be adapted to work with any file type as well. Digital files and documents can be distilled and delivered by Listen in RAD/EA format.

Three Levels of Protection for Content

Real's approach delivers a higher level of content security than streaming alone. First, the distilling process extracts critical information and identifying data from the original media file. The remaining distilled data is encrypted using powerful industry-standard encryption technology. The resulting RAD file is typically 99% of the size of the original file, and contains no data that is recognizable as the original file.

When downloaded to the client system, RAD files are further obscured. Rather than residing on a user's PC as individual data files, RAD files are aggregated and scrambled into a single large data file. This large aggregated data file is invisible to the user.

Authorization by the Listen Server is required to initiate delivery of EA data and subsequently render the audio data, providing a third layer of protection. The Listen Server must specifically authorize the client application for each EA data stream. EA files never reside completely on the client system, meaning the user never has access to a complete file at any time.

Taken together, these three layers of protection make the task of compromising the system an extremely difficult endeavor.

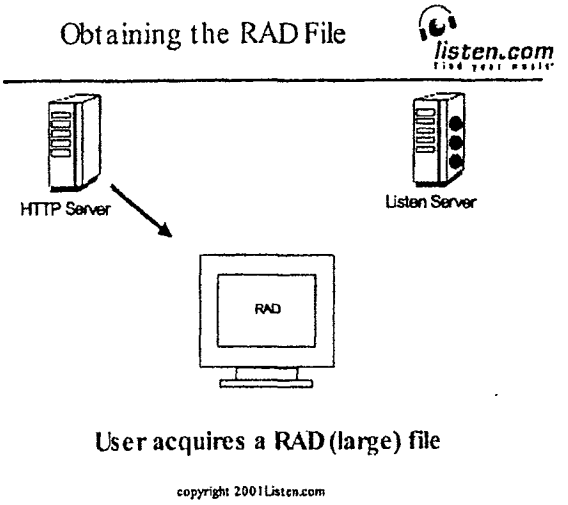
Permissions-Based Access
The Listen Platform is further secured by a permissions-based access system. All user events are logged in the system, providing detailed information about user interaction with the program and rendering would-be hackers vulnerable to detection. There are two levels of approval required before a client can obtain EA data from the Listen Server. First, the user must have a valid account to log into the Listen Server and establish a connection. Once logged in, the client still must obtain authorization for each EA stream requested. Since all user activity is monitored and logged in the database, suspicious activity can be flagged and investigated if required. This renders attempts at "spoofing" the Listen Server *ineffective and highly risky.*

Delivery

The two file types are delivered in very different ways. After a user logs in and is authenticated on the Listen Server, the user's client software receives clearance from the Listen Server to access the encrypted RAD files.

In the most common case, the user's client software then issues HTTP commands to retrieve RAD data included in the RAD file from the HTTP servers.

RAD data is aggregated, scrambled and cached in a single data file on the user's PC, the very existence of which is invisible to the casual user.

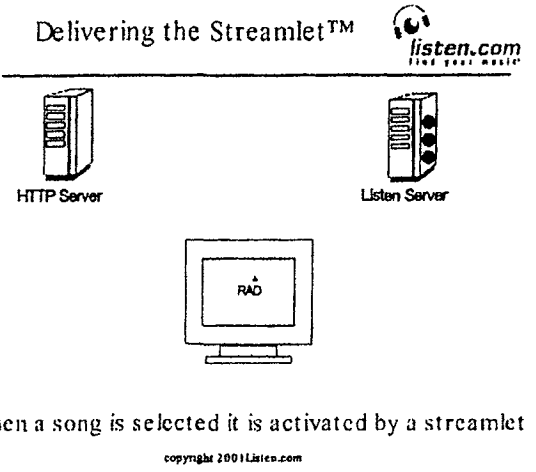


EA Files are Delivered in Real-Time

When a user wishes to play a song, the client software must obtain the EA data. Before any song can be played the client sends a request to the Listen Server, which evaluates the request and authorizes or declines as appropriate.

Once authorized, the Listen Server streams the EA data to the user's PC on an as-needed basis. The EA and RAD data is recombined and the resulting audio data is rendered, after which the EA and audio data is immediately discarded.

At no time does more than a few seconds of the EA or audio data exist on the user's PC, and at no time does the complete file exist on the user's PC.



7.3 – Home Network Extension

Rhapsody Home Network Extension - White Paper on Security

Architecture

System Architecture

The Rhapsody Network Extension allows a Network Attached Device to interoperate securely with the Rhapsody software application. The extension supports various types of network and device architectures. This includes, but is not limited to, existing home network standards and proprietary technologies such as UPnP AV, Remote I/O etc.

For maximum compatibility with existing and emerging technologies, the Rhapsody Network Extension architecture has adopted an abstract service model based on the classic pattern known as MVC (Model-View-Controller). This allows support for simple cases (single media server, and single integrated renderer/controller). Which components of the system map onto the concepts of model, view and controller will depend on the specific technologies used, and network topologies.
Here are some typical configurations:

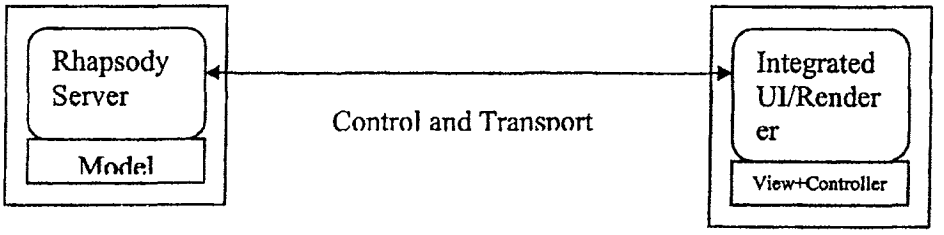


Figure 1 – Simple [Model]+[View/Controller] configuration

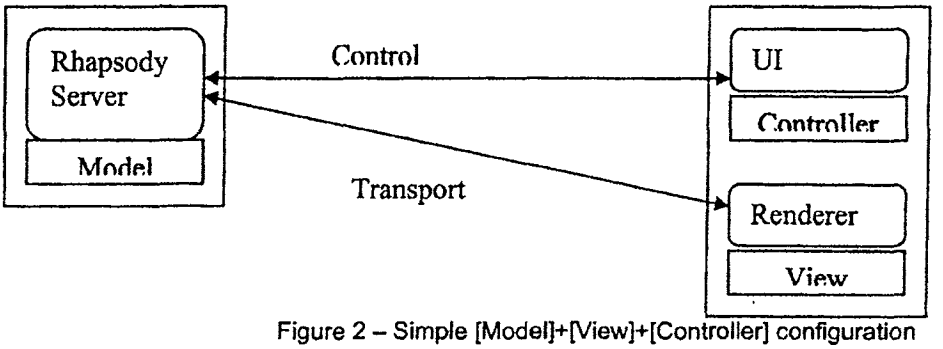


Figure 2 – Simple [Model]+[View]+[Controller] configuration

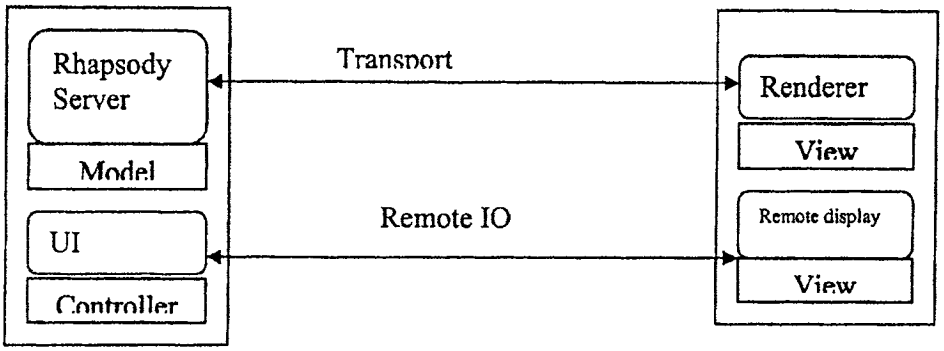


Figure 3 – Simple [Model/Controller]+[View] configuration

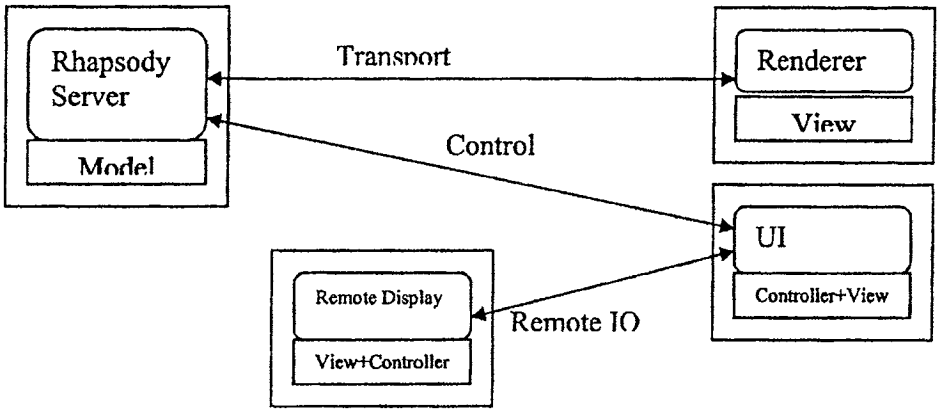


Figure 4 – More Complex [Model]+[View]+[Controller] configuration

Service Model

The service model is conceptually simple. A user has access to a set of tracks. Each track has metadata, and compressed encrypted audio content. Tracks are organized in folders or containers, and the metadata of each track can be retrieved. Conceptually, the Rhapsody PC application has N concurrent sessions allowed (where N may be 1 in the simple case). The application maintains N Slots to keep track of ongoing sessions with devices.

Tracks can only be transferred in a Pull Model. The renderer "pulls" a track by making a service request. The EA file has to be "pulled" through the user's PC, thus ensuring that the device is on the same local network as the PC.

Communications between the server and the renderer are protected to prevent a stream replay situation (a situation where an attacker would capture an exact copy of the encrypted HTTP stream, and be able to replay that response later when the device makes a request for the same stream), the device must provide a request token with a request, and this token is used as a "salt" to add a randomized element to the communications and request/response exchange.

Security Model

The Rhapsody Network Extension provides content security through both authentication and encryption.

Content Protection

When content is transferred from the PC Server (Directory Service) to the rendering device (Renderer), the content is encrypted, so that only the authorized recipient (in this case a certified, Rhapsody-enabled rendering device) is able to access the clear-text compressed audio data. In this architecture, the content is encrypted with a transfer key, which is only known by the server and the rendering device. This key is derived from one of the shared secrets, and its lifetime is limited. The same key may be used for subsequent accesses to portions of a same track (ex: during a random-access operation from the rendering device), but each new transfer will be encrypted with a fresh key.

Service Access

Identification

Each device that directly interacts with the Rhapsody application needs to be identified. Each device has an identity that is unique. A device identity includes a human-readable name, optional device information (such as model name, model number, etc...), and an identity token. The identity token (also called device Id) is made of two logical parts: a prefix, assigned by RealNetworks to devices or groups of devices, and a local Id that is assigned by the device manufacturer.

Cryptographic Elements

The Network Extension makes use of a number of cryptographic elements to maintain system and content security. Stream communication is protected with Strong Content Encryption and content keys are generated using a Key Derivation Hash and managed in a secure environment by Real. Keys are distributed to device manufacturers in encrypted, signed documents.

Content Encryption

Content transferred over the HTTP's TCP/IP connection is encrypted using AES block cipher, with 128-bit keys.

Key Derivation Hash

The cryptographic hash used for content key generation is SHA-1 (160-bits).

Key Management

The key management system is used to manage device secrets used for authentication and content encryption.

Key Distribution

Both the key block and the key block parser are considered confidential information and treated as such (in a very secure manner) by device manufacturers.

Key Transmission

Device key blocks, as well as individual keys, are never seen in the clear in the PC Rhapsody software. Keys are currently used in two algorithms: authentication and content encryption.

Key Revocation

The back-end server handles key revocation. If a device key is compromised, the back-end server can decide to stop using that key. If an entire key block is compromised, then the back-end server can refuse to issue session keys, and therefore prevent the device from receiving encrypted content, until the device's key block is renewed. Device manufacturers are required to perform key block renewal (if needed) in a secure manner.

7,4 Tethered Playback on the PC and Portable subscriptions

Rhapsody now supports an extension to the Unlimited service where users can select to download content to their PC for offline playback. In addition, if the user subscribes to our To Go service, they are able to move the content to portable devices until their subscription expires. For this service, Rhapsody uses Microsoft Windows Media DRM wrapped WMA files encoded at 160Kbps.

8. Launch Preparation and Status

Rhapsody 2.0 and the Real Download Store are already in the marketplace. Rhapsody will be released in the Fall of 2004. Real is accustomed to developing and releasing world class software and will follow its standard software practices in developing, testing, and releasing Rhapsody.

9. Other Questions

A) Please explain how your system prevents content cleared for streaming only from being made available as a download, and vice versa.

This is all handled in the code based on track rights flags in the database, with the track right algorithm managed very carefully for both streams and downloads. Additionally, the music used for streaming and for downloading exists in different forms on our servers (Helix DRM for downloads, RAD-EA for streams) which provides another layer of distinction between downloads and streams.

B) UMG requires limited, individually auditable user access to critical systems. For audit and security purposes, it is expected that you will maintain and review server access logs as well as security-related logs (e.g. logs of licenses served or files downloaded). Please describe the logs you maintain, the length of time that you archive them and how (and how often) they are subject to review.

We have implemented system user access controls (in oracle and unix) as part of our
Sarbanes Oxley Act (SOX) compliance efforts, and will retain logs for 90-day periods. We review the logs periodically to look for out of the ordinary behavior and will more closely examine any such behavior.

C) Partners are expected to have user account policies (for employees) designed to maintain the security of our content. Please say a few sentences about your documented account policies such as password length and update frequency, deletion of accounts of departed employees, and acceptable use of root or administrator accounts.

We have a strict Password Policy currently in place that is part of our SOX compliance requirements:

1. Passwords MUST NOT be null or blank
2. Passwords MUST NOT contain the account name.
3. Passwords MUST contain a mix of upper and lower case characters and at least one numeric or punctuation character.
4. Passwords MUST be at least six (6) characters in length.

5. Passwords SHOULD contain a minimum of eight (8) unique and non-recurring characters.
6. Passwords MUST be changed at least every six (6) months.
7. Passwords SHOULD be changed once per quarter.
8. Accounts of employees that have left the company shall be terminated. As a check to this process, passwords must be actively changed by employees every 6 months (#6 above).

D) Please describe you backup process at a high level (e.g. "nightly incremental backups of all operational software and databases (financial, content, and user-related) with weekly full backups that are stored off-site and backup viability checked on a semi-annual basis"). UMG requires that you make periodic back-up archives of financial and other critical data/software and maintain them for three years. How often are these periodic archives made? Do you have a disaster recovery plan?
What is your expected downtime in case of a major problem?

Database backups are performed and transferred to disk-based backup system as follows:

* member/billing/usage data: full backup nightly
* metadata: full backup twice a week, incremental every other night
* Warehouse: full backup once per week, incremental every other night

From the disk-based system, we then back-up to tape, and include other critical data (fileservers, source code repository). We perform a monthly full backup and daily incremental back-ups. Full backups are stored offsite, and we keep 3 months of backups offsite.

E) It is likely that UMG's partners will be continually updating and expanding their software systems. Please say a few sentences about whether you have established and documented software change management procedures and how they are designed to prevent software modifications from negatively affecting on-going operations and financial data.

As a software and services company that has been in business for 10 years, we have reasonable "de facto" procedures and written policies, but they are not documented in a manner for external review.

F) Please list and briefly (one or two sentences) describe any other documented policies that you have that affect system and content security.

RealNetworks has detailed security policies with which all groups within Real networks work to comply.

EXHIBIT B-2

DRM Usage Rules

(As may be reasonably revised from time to time by Universal with notice to Company, provided that Company will have a reasonable period to implement any modification to its system required by any such change in DRM Usage Rules.)

Introduction

The purpose of this document is to describe the security guidelines that must be respected when dealing with content made available by Universal for non-portable subscription services.

Definitions

Authentication (or Authenticate, Authenticated) - A cryptographic process ensuring that only components that are currently Compliant (i.e., not revoked) can inter-operate either:

- Explicitly by an active cryptographic process typically involving challenge/response protocols against a private key, or
- Implicitly by a cryptographic process, such that the interoperation of Compliant non-revoked components is achieved indirectly by the result of another cryptographic process, such as key derivation.

Bind (or Bound) - to Protect content in such a way that it (or exact copies of it) can only be accessed in the presence of a unique object. Content may be Bound to a unique device or constrained user account[1]. Identifiers used for Binding must be statistically or truly unique across all objects of a single type. Security must not be dependent upon the secrecy of the unique identifiers.

Compliant - a non-revoked Domain, entity, object, or activity that is in compliance with the letter and spirit of 1) the rules set forth in this and other related documents from Universal, 2) generally accepted industry content protection standards, and 3) any applicable governing technical and security specifications or licenses. Compliant Domains do not allow any unauthorized access to content and only store, transfer, copy, use, or manipulate content according to the content's associated Usage Rules.

Conditional Download - means for purposes of this Exhibit, a time-limited but unexpired digital file containing Protected content in a Universal Approved

[1] A constrained user account is constrained such that (a) the number of people who can concurrently use the user account is limited to a UMG approved number and (b) the user account authentication is based on a UMG approved technique.

Format for which Universal has been paid (or otherwise compensated) by Company and that resides on a subscriber's computer. Conditional Downloads time out (cease to play, Transfer, etc.) on the expiry of the subscriber's next paid up monthly subscription period unless the subscription account is renewed and paid up and the user reconnects their PC so that the subscription service can renew expiring content and collect play-count information. Conditional Downloads are subject to the Usage Rules described below.

Domain - an application, plug-in, device, portable media, operating system, driver, transport (1394, USB, etc.), physical format, or other entity that stores, transfers, copies, uses, or manipulates content.

Protected - A state in which unauthorized access is restricted by technical means such as encryption, where such technical means (i.e. algorithms, key lengths, obfuscation techniques, etc.) are standard in the industry, industrial strength, and accepted as suitable for protection of high value content or confidential information.

Secure Authenticated Channel (SAC) - Protected and Authenticated communication between two or more Compliant Domains. Content transferred via SAC is Protected at all times in accordance with the Robustness Requirements. During transfer via SAC, content and any associated Usage Rules are persistently linked, implicitly or explicitly.

Subscription Stream – a stream of Protected content in a Universal Approved Format transmitted via a SAC from a UMG approved subscription service to a Compliant player application or device for immediate playback.

Secure Portable Device (SPD) - a Compliant portable device that is a Compliant Domain and is capable of securely accessing and playing Protected content either from fixed or removable memory. An SPD only saves or accesses Protected content from removable memory that is Secure Portable Memory. Protected content can only be Transferred to an SPD from a Compliant application via a SAC, or from Secure Portable Memory. Any Protected content Transferred to an SPD is Protected and Bound to the SPD or its Secure Portable Memory and cannot be moved or copied from the SPD or SPM in a useable form unless explicitly approved by UMG and allowed in the Usage Rules. SPDs do not allow digital output of Protected content. An SPD's primary purpose must be for music playback and may not incorporate functionality or run software that can readily be used for the unauthorized reproduction or distribution of copyrighted material, even if such software or functionality has non-infringing uses. For the avoidance of doubt, the ability to function as a hard drive and allow files to be copied on and off the device from a computer's file browser shall not by itself disqualify a device from being an SPD.

Secure Portable Memory (SPM) - a Compliant portable/removable media that is a Compliant Domain and may be used to store Protected content. Protected content stored on SPM is stored so that it can only be accessed by Compliant SPDs and applications according to the associated Usage Rules. Furthermore, Protected content on an SPM must be Bound to the SPM or to an SPD.

Transfer - when used as a verb, to make a Protected copy of a Conditional Download as allowed by these Usage Rules, where the copy is saved in a Universal Approved Format on an SPD or SPM and subject to the SPD Transfer Usage Rules below. The Domains involved in making the Transfer must be Compliant and must communicate via SAC. When used as a noun, a Transfer is the Protected copy made as described herein that resides on an SPD or SPM. Transfers time out (cease to play, etc.) on the expiry of the subscriber's next paid up monthly subscription period, unless the subscription account is renewed and paid up and the user reconnects to their PC so that the subscription service can renew expiring content and collect play-count information.

Universal Approved Format - a codec and DRM or Protection combination approved by Universal in advance in writing that can be used to store or distribute Universal content.

Usage Rules - the rules defined by Universal in its sole discretion that govern how content (e.g. a Conditional Download, Transfer, or Subscription Stream) can be stored, transferred, copied, burned to CD, or otherwise used or manipulated. Usage Rules may be expressed in the form of a DRM expression, as a watermark, and/or as a contractual obligation and the Usage Rules for any Universal Recordings delivered hereunder shall be as provided as described in this Exhibit.

1. Compliant Domain Rules

Protected content is only accessible to Compliant Domains such as Compliant applications and devices. Compliant Domains must be designed and intended to ensure that the Protected content that they store, transfer, use, or manipulate is never accessible in a usable or an unprotected form except as allowed by the content's Usage Rules. Compliant Domains do not allow any use not explicitly approved in the Usage Rules. For example, a system that allows 10 unique streams of Conditional Downloads per PC to be transmitted to other devices would not be a Compliant Domain since it would violate UMG's streaming-related Usage Rules as provided below. Universal content shall remain persistently Protected and Bound except when played over normal analog outputs in real time as described below. For the purpose of this section, the output signal that is in "Fast Forward" or "Fast Reverse" mode is defined as being real time. "Fast Forward" and "Fast Reverse" are playback modes that are designed and implemented solely for the purpose of rendering and not recording and that render such signal

incompletely, distorted and in uncorrectable form only. Unless expressly permitted pursuant to Usage Rules, digital outputs are not allowed.

The Compliant Domains must be constructed according to the attached Robustness Requirements so that they are designed to prevent hackers from gaining unauthorized access to Universal content. The Compliant Domains must support content, system-based end-user revocation (e.g. the store no longer allows the user to log in), and Domain revocation. Content licensees shall monitor their systems for security breaches. In the case that a security breach occurs or in the case that technology used by the system is compromised, Universal will have certain rights as described in the contract, not limited to:

- the right to withdraw its content until a repair is available
- the right to use revocation to disable pirated content or hacked devices and prevent further loss due to the breach.

2. Authoring

UMG content may only be made available as Conditional Downloads or Subscription Streams authored in a Universal Approved Format and may not be converted into other formats without Universal's prior written approval. When possible, Conditional Downloads must be authored to prevent users from inhibiting the expiration of Conditional Download or Transfers by changing back their PC or device clocks. If a subscription service is unable to enforce the Conditional Download rules describe herein (e.g. because of DRM limitations such as the inability to enforce Conditional Download streaming Usage Rules), then the service shall not offer Conditional Downloads. Note that Universal, in its sole discretion, may change the Usage Rules associated with content from time to time.

Watermarking:

If Universal embeds the Verance watermark into content, it will do so in such a way that respects the Usage Rules described and agreed to herein.

3. Usage Rules – Conditional Downloads

Conditional Downloads must be persistently Protected and Bound, and may only be stored, transferred, copied, used, or manipulated according to their Usage Rules. Universal Protected content may only be used in Compliant devices and applications, and may never be modified or saved without approved Protection.

Conditional Downloads may be Transferred to SPD or SPM as described below. A Conditional Download may **not** be burned to CD or otherwise copied or transferred in a usable form to anything other than an SPD or SPM. A Conditional Download may only be accessible in an unprotected form during playback over normal analog audio outputs (e.g. headphone or speaker outputs).

Concurrent Log-ins
Only one instance of a given subscription account can be logged into the subscription service at a time. This is true whether the subscriber is logged in to select tracks for Conditional Download or logged in for streaming.

Computer Copy Rules
A subscriber may identify up to three computers on which their Conditional Downloads can be (DRM) licensed for use. This does not necessarily mean that Company can initiate three separate Conditional Downloads, but rather that the consumer can initiate the reproduction or downloading of the Conditional Downloads, which shall be in a Universal Approved Format and shall be Bound to the computers permitted per above.

Secure Portable Device Transfer
Conditional Downloads may only be Transferred to SPD or SPM that (a) support Universal Approved Formats, (b) support secure play-counting and time outs, and (c) do not allow unauthorized access to digital content. Transfer may only occur according to a Conditional Download's associated Usage Rules and only to an SPD or SPM that is capable of respecting the Usage Rules that govern the Transfer. Transfer must occur via a Secure Authenticated Channel. A Transfer must be Protected and Bound to the SPD or SPM and may only be accessible in an unprotected form during playback over normal analog audio outputs (e.g. headphone or speaker outputs).

A user may identify up to two SPD or SPM to which Conditional Downloads can be Transferred an indefinite number of times during the subscription term, provided that the Transfer is Protected and Bound to the SPD or SPM. This is independent of the number of Conditional Downloads that exist for a given track or the number of subscriber PCs, such that there are never more than a total of two locations (SPD or SPM) that contain non-expired Transfers.

Streaming of Conditional Downloads Within the Home
Conditional Downloads can be streamed via a SAC from a subscriber's PC to other Compliant applications or devices for immediate playback only. Only one unique stream containing Conditional Download content may be transmitted to other Compliant applications or devices at a time, independent of the number of Conditional Downloads or subscriber PCs. However, the Protected stream may be broadcast to up to ten subscriber identified Compliant applications or devices within the home, subject to a proximity limit approved in advance in writing by UMG. The proximity limit must be designed to ensure that the applications/devices receiving the stream broadcast are located within the subscriber's home and at a minimum shall be on the same Ethernet subnet as the PC receiving the Subscription Stream. For example, if a subscriber has Conditional Downloads on three PCs, one of those PCs can broadcast a single Protected stream from the Conditional Downloads to up to ten Compliant receivers within the specified proximity limit.

4. Usage Rules – Subscription Streams

Subscription Streams may only be accessed by Compliant applications or devices for immediate playback only and must be persistently Protected except when played over normal analog outputs.

Concurrent Log-ins
Only one instance of a given subscriber account can be logged into the subscription service at a time.

Copy and Transfer Rules
UMG Subscription Stream content may not be saved (e.g. to hard disk) or transferred to portable devices or portable media.

Streaming Within the Home
Up to three Subscription Streams can be transmitted to a given user account from the subscription service at a time. However the three Subscription Streams can only be transmitted via SAC to one computer, which can subsequently re-transmit (via SAC) to up to two subscriber identified "slave" Compliant applications or devices within the home, subject to a proximity limit approved in advance in writing by UMG. The proximity limit must be designed to ensure that the applications/devices receiving the stream broadcast are located within the subscriber's home and at a minimum shall be on the same Ethernet subnet as the PC receiving the Subscription Stream. The "slave" applications or devices can only be used for playback and may only select songs in the user's library or playlists generated on the PC; they cannot be used to make new playlists or browse the subscription service for new songs (i.e. songs not already in the user's library).

5. Robustness Requirements

5.1 General.

5.1.1 Scope
These Robustness Requirements apply to implementations ("Implementations") of Compliant Domains.

5.1.1.1 Objective
Implementations shall be designed to protect Protected content against unauthorized access, copying and distribution. Implementations shall maintain Protected content in a Protected state or a Protected environment at all times, except while such content is being rendered in decompressed form in real time for playback over normal audio outputs.

5.1.2 Construction
Implementations shall comply with the Universal contracts and guidelines described herein that reference these Robustness Requirements (the "Guidelines") and be designed and manufactured with the intent of effectively frustrating

attempts to modify such products so as to defeat the functions required by the Guidelines, as more specifically described below.

5.1.3 Defeating Functions and Features
Implementations shall not include switches, jumpers or traces that may be cut, or control functions means (such as end user remote control functions or keyboard, command or keystroke bypass) by which content protection technologies or other mandatory provisions of the Guidelines may be defeated or by which compressed, decrypted content may be exposed to unauthorized copying, usage or distribution. In the case that Company learns that switches, jumpers, or other means by which content protection technologies or other mandatory provisions of the Guidelines may be defeated or by which compressed, decrypted content may be exposed to unauthorized copying, usage, or distribution despite commercially reasonable efforts on the part of the Company, then the affected Implementation shall be barred from receiving, storing, or otherwise using Universal Protected content.

5.1.4 Maintain Security
Implementations shall be designed and manufactured with the intent of effectively frustrating attempts to: (i) discover or reveal non-public keys or cryptographic algorithms or other secrets/confidential information used to protect content in Implementations, (ii) defeat the functions related to Authentication, encryption, decryption, watermark screening, watermark insertion, the Secure Authenticated Channel and storage of Protected content, as defined and/or required in the Guidelines, including the control functions or Usage Rules, to the extent such functions and rules are implemented in the foregoing, and (iii) change embedded identities (collectively, clauses (i), (ii) and (iii) of this Section 5.1.4 are referred to herein as the "Security Functions and Features"). Furthermore, in Compliant products, where Protected content is delivered from one part of the Compliant product to another--whether among integrated circuits, software modules, or a combination thereof--the portions of such product that perform the Security Functions and Features shall be designed and otherwise integrated and associated with each other such that Protected content in a usable form flowing between them shall be Protected from being intercepted and copied or distributed. Universal reserves its right to require, in its sole discretion and upon six months written notice, that either (a) systems that are capable of requiring audio playback through certified drivers (e.g. via Microsoft's Secure Audio Path or equivalent) must be configured to require the use of certified drivers in conjunction with Universal content or (b) some other Universal approved technology that prevents stream-capture must be used in conjunction with Universal content.

5.2 Methods Of Making Functions Robust
Implementations shall use at least the following techniques to be designed to effectively frustrate efforts to circumvent or defeat the functions and protections described in the Guidelines and these Robustness Requirements:

5.2.1 Accessibility of Content
Decrypted Protected content shall not be available on outputs other than those specified in the Guidelines or these Robustness Requirements and, within Implementations, such Universal Content shall not be present on any user accessible buses in useable form in such a manner that permits users to circumvent or defeat the Security Functions and Features. For these purposes, a "user accessible bus" shall mean a data bus which is designed for end user upgrades or access, such as PCMCIA, device bay, IEEE 1394 or Cardbus, but not PCI buses, memory buses, CPU buses, and similar portions of a device's internal architecture. The foregoing shall also apply to interfaces between or among Compliant products, such that content is transmitted in a Protected manner.

5.2.2 Playback
Universal reserves its right to prohibit, in its sole discretion and upon six months written notice, unprotected digital playback (e.g. via USB speakers or 958 interconnects).

5.2.3 Robustness Requirements Applicable to Software Implementations.
Any portion of an Implementation that implements one or more of the security functions set forth in the Guidelines in software that could allow compromise of Protected content shall include all of the characteristics set forth in Sections 5.1 and 5.2.1 of these Robustness Requirements. In addition, such Implementations shall:

5.2.3.1 Use one or more reasonable methods, which may include, but shall not be limited to: encryption, execution of a portion of the implementation in ring zero or supervisor mode, and/or embodiment in a secure physical implementation; and in every case of implementation of software, using techniques of obfuscation to disguise and hamper attempts to discover the approaches used.

5.2.3.2 Be designed so as to perform self-checking of the integrity of its component parts and be designed to result in a failure of the Implementation to provide the authorized Authentication and/or decryption function in the event of unauthorized modification. For these purposes, a "modification" includes any change in, or disturbance or invasion of features or characteristics, or interruption of processing. This provision requires at a minimum the use of "signed code" or other means of tagging or operating throughout the code which are equivalent or more robust. For purposes hereof, "component parts" are those that interact with Protected content.

5.2.4 Robustness Requirements Applicable to Hardware Implementations.
Any portion of a Compliant product that implements a part of the Guidelines in hardware shall include all of the characteristics set forth in Sections 5.1, 5.2.1, and this section 5.2.4 (when applicable, as described below) of these Robustness

Requirements. In the case that, despite commercially reasonable efforts, such a product does not include all the characteristics set forth in Section 5.1, 5.2.1, and in this section 5.2.4, then the affected product shall be barred from receiving, storing, or otherwise using Universal Protected content. The fact that a software Implementation operates on a hardware computing platform shall not, in and of itself, cause such hardware computer platform to be subject to the requirements set forth in Sections 5.2.4 and 5.2.5. If, however, the software Implementation relies on hardware or any hardware component to satisfy these Robustness Requirements, then such hardware or hardware component shall be governed by the robustness rules set forth herein for hardware implementations. In addition, such Implementation shall:

5.2.4.1 Use any reasonable means including, but not limited to: embedding encryption keys and algorithms in silicon circuitry or firmware which cannot be read, or the techniques described above for software.

5.2.4.2 Be designed such that attempts to remove or replace hardware elements in a way that would compromise the content protection features of the Guidelines would pose a serious risk of damaging such product so that it would no longer be able to receive or playback Protected content. By way of example, a component which is soldered rather than socketed may be appropriate for these means.

5.2.4.3 Be designed such that the failure of a Security Function or Feature would cause the product to no longer be able to receive or playback Protected content.

5.2.5 Robustness Requirements Applicable to Hybrid Implementations
The interfaces between hardware and software Implementations of a Compliant product or between or among Compliant products shall be designed so that they provide the level of protection that would be provided by a purely hardware or purely software Implementation as described above.

5.3 Required Levels Of Robustness
The Security Functions and Features and the characteristics set forth in Section 5.1.4 shall be implemented so that it is reasonably certain that they:

5.3.1 Cannot be defeated or circumvented using Widely Available Tools (as defined below) and

5.3.2 Can only with difficulty and significant time be defeated or circumvented using Specialized Tools (as defined below) or Professional Tools (as defined below).

Widely Available Tools shall mean general purpose tools or equipment that are widely available at a reasonable price, such as screwdrivers, jumpers, clips, and soldering irons.

Specialized Tools shall mean specialized electronic tools that are widely available at a reasonable price, such as memory readers and writers, debuggers, decompilers, or similar software development products other than devices or technologies that are designed and made available for the specific purpose of bypassing or circumventing the protection technologies that are required by the Guidelines, i.e., "Circumvention Devices".

Professional Tools shall mean professional tools or equipment, such as logic analyzers, chip disassembly systems, or in circuit emulators, but not including either professional tools or equipment that are made available on the basis of a non-disclosure agreement or Circumvention Devices.

5.4 New Circumstances

If an Implementation when designed and shipped complies with the requirements set forth above, but at any time thereafter circumstances arise which had they been existing at the time of design would have caused such Implementation to fail to comply with the Guidelines ("New Circumstances"), then upon having reasonable notice of such New Circumstances, the Company shall promptly redesign affected product(s) or make available upgrades to its affected product(s), and, as soon as reasonably practicable, consistent with ordinary product cycles and taking into account the level of threat to Content under the New Circumstances, shall incorporate such redesign or replacement into its affected product(s), cease manufacturing such affected product(s) and cease selling such affected product(s). In the case that, despite commercially reasonable efforts, no redesign or upgrade is created, then the affected Implementations shall be barred from receiving, storing, or otherwise using any Universal Protected content.

5.5 Examination/Inspection

Under reasonable terms, and upon reasonable notice to Company, Universal may, if it has a reasonable, good faith suspicion that the Guidelines or Robustness Requirements are being materially frustrated, which suspicion it has first expressed to Company in writing and provided Company a reasonable opportunity to respond to, at its own expense have an independent expert (acceptable to Company) inspect the details necessary to an understanding of such product(s)' implementation of the Guidelines and these Robustness Requirements and such details sufficient to determine whether such product(s) is/are Compliant.

C

EXHIBIT C
Pre-approved Co-Brand partners

PARTNER	DESCRIPTION OF CO-BRAND RELATIONSHIP
Audio Galaxy	Co-branded Rhapsody Service available at audiogalaxy.com website
Best Buy	Co-branded Rhapsody Service available in store and on the www.bestbuy.com website.
Cablevision	Co-branded Rhapsody Service available on Optimum Online broadband website
Charter Communications, Inc.	Co-branded Rhapsody Service available on Charter High Speed Internet website
Cincinnati Bell	Co-branded Rhapsody Service available on DSL website
Comcast Cable Communications	Co-branded Rhapsody Service available on high-speed Internet website
Down Beat Jazz (DownBeat.com)	Co-branded Rhapsody Service available at www.downbeat.com jazz and blues website.
Gateway	Co-branded Rhapsody Service available on desktop of Gateway computers.
HP/Compaq	Co-branded Rhapsody Service available at www.hp.com and on desktop of HP/Compact computers.
Lycos (Terra Network)	Co-branded Rhapsody Service available on http://music.lycos.com/rhapsody/default.asp
RCN Corporation	Co-branded Rhapsody Service available on high-speed Internet website
Road Runner	Co-branded Rhapsody Service available on high-speed Internet website
Sony Electronics	Co-branded Rhapsody Service available on Sony Musiclub website and on Vaio laptops
Speakeasy	Co-branded Rhapsody Service available at www.speakeasy.net and broadband home pages
Sprint Broadband Direct	Co-branded Rhapsody Service available on DSL website
Verizon	Co-branded Rhapsody Service available on DSL website

D

EXHIBIT D

University Plans
All references to Universities herein shall be deemed to include colleges.

All references to defined terms, unless otherwise defined herein, are references to defined terms in the main Agreement.

RealNetworks may offer the Service to University students at the discounted rates set forth in this Exhibit ("University Service Plans"), solely with Universal's prior written approval. Universal shall not unreasonably withhold approval if the applicable University Service Plan is subject to the following restrictions:

1) Provided that the Agreement has not terminated, commencing in September, 2005 the following limitations of access to the Service shall become effective:

(a) The Service may only be accessible by one personal computer per student meaning that Streams must only be accessible by one personal computer at a time; conditional downloads (or so-called tethered downloads) can only be downloaded to one personal computer. Notwithstanding the foregoing, provided that RealNetworks can verify and insure that a University Subscriber accesses the Service on a University local area network when downloading conditional downloads, Then that University Subscriber may access the conditional downloads on up to three computers.

(b) Under the University Service Plans, the definition of Permitted Devices in Exhibit A is limited to one personal computer per student unless otherwise set forth herein. Universal Content shall not be accessible on Home Media Servers, Home Media Receivers or portable devices.

2) Eligible End Users.

(a) Only on- and off-campus full-time or part-time matriculating undergraduates as well as full-time graduate students are eligible to receive the discounted University Service Plans ("Eligible End User"). Faculty, alumni and part-time graduate students are excluded. With the exception of the summer term, if an otherwise Eligible End User student is not registered for classes on-campus during any term or semester, that student may not access the University Service Plan during such leave of absence.

(b) During the summer term, the University may provide continued access to the University Service Plan to students that will be Eligible End Users during the Fall semester or term, provided that Universal is paid the Content Fees set forth below during the summer semester or term. In the event that the University elects not to provide access to the University Service Plan, then access the Service shall be disabled, inclusive of any Conditional Downloads that have previously downloaded to an Eligible End User's personal computer.

3) Content Fees:

RealNetworks may offer the University Service Plan pursuant to a minimum guarantee as set forth in Section 3(a) of this Exhibit D or on an opt-in basis as set forth in Section 3(b) of this Exhibit D.

(a) Rollout commitment / minimum guarantee: Provided that RealNetworks and/or the University meets the subscriber guarantees set forth below ("Minimum Subscriber Guarantees"), Universal's Content Fees for University Service Plans shall be as follows:

Universal shall be paid Universal's Proportionate Share of the greater of:

(i) 46% of the greater of (x) the retail price paid by University students (less any actual charges incurred by the University for Service billing purposes but in no event shall such charges be greater than 20% of the retail price) or (y) the wholesale price paid by the University for the Service, but in either case any applicable deduction for the Rhapsody Radio set forth in Section 14 (r); or,

(ii) $.80 per student who has access to the Service per month.

The Minimum Subscriber Guarantees (based on the undergraduate population residing on-campus) are as follows:

70% of the number of matriculating full or part time undergraduates residing on-campus for Colleges and Universities housing 1 - 2000 on campus undergraduates

60% of the number of matriculating full or part time undergraduates residing on-campus for Colleges and Universities housing 2001 - 10,000 on campus undergraduates

50% of the number of matriculating full or part time undergraduates residing on-campus for Colleges and Universities housing greater than 10,000 on campus undergraduates

The Minimum Subscriber Guarantees set forth above establish the minimum number of Eligible End Users that have access to the Service. This guaranteed number may be filled by any Eligible End User.

(b) Opt-in University Service Plan: if the Service does not meet the Minimum Subscriber Guarantees set out above, RealNetworks can offer an 'opt-in' model to all Eligible End Users (as defined in Section 2 of this Exhibit D) and Universal shall be compensated as follows:

Universal's Proportionate Share of the greater of:

(i) 50% of the greater of (x) the retail price paid by University students (less any actual charges incurred by the University for Service billing purposes but in no event shall such charges be greater than 20% of the retail price) or (y) the wholesale price paid by the University for the Service, but in either case any applicable deduction for the Rhapsody Radio set forth in Section 14 (r); o

(ii) $1.65 per student per month.

All Content Fees for University Service Plans (opt-in or guaranteed) shall be calculated, reported and paid separately from all other Content Fees. By way of example, Universal's Proportionate Share shall be calculated solely based upon usage at each University, and plays or Performances of Streams and Conditional Downloads at Universities shall not be included in the calculation of Universal's Proportionate Share for non-University Service Plans. Reporting and payment shall be made to Universal on a University by University basis for the 2004-2005 school year, at the end of each semester, but no later than the following dates: January 10, for the Fall semester, July 10, for the Spring semester, September 10 for the summer semester. For the 2005-2006 school year it is anticipated that such reporting and payment shall be more frequent. The reporting template for University Plans is attached to this Exhibit D.

4) Free Trial – Upon approval of Universal, in its discretion, RealNetworks may offer a one semester (Fall or Spring) royalty-free free trial of the University Service Plan, provided that the University commit to appropriate marketing of the Service (e.g., inclusion in orientation packages, campus signage etc.).

5) Most Favored Nations. As it relates to any specific University Service Plan during both the free trial period and paid periods, RealNetworks agrees, represents and warrants that it will pay Universal no less than it pays (i) any other Person licensing or otherwise providing Sound Recordings to RealNetworks for use on the Subscription Service or (ii) any holder in the copyrights of the musical compositions underlying the Universal Sound Recordings ("Music Publishers") (on a pro rata basis). All terms of Section 3(c) concerning notice and retroactive application shall apply to this Section 5 of Exhibit D and the provisions of this Section 5 of Exhibit D shall be deemed a representation and warranty under the Agreement.

6) If RealNetworks is unable to offer the Service to Universities under any plan set forth in this Exhibit D, RealNetworks may offer the Service in consideration for the content fees set forth in the Agreement, at no discount.