

REALNETWORKS INC  
Form DEF 14A  
August 22, 2018  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

(Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**REALNETWORKS, INC.**

(Name of Registrant as Specified In Its Charter)

# Edgar Filing: REALNETWORKS INC - Form DEF 14A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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1501 First Avenue South  
Seattle, Washington 98134

August 22, 2018

Dear Shareholder:

I cordially invite you to attend the RealNetworks, Inc. 2018 Annual Meeting of Shareholders. The Annual Meeting will be held at 1:30 p.m., Pacific Time, on Monday, October 1, 2018 on the first floor of our corporate headquarters building at 1501 First Avenue South, Seattle, Washington 98134.

Under the Securities and Exchange Commission rules that allow companies to furnish proxy materials to shareholders over the internet, we have elected to deliver our proxy materials to the majority of our shareholders over the internet. This delivery process allows us to provide shareholders with the information they need, while at the same time conserving natural resources and lowering the cost of delivery. On August 22, 2018, we mailed to our shareholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy statement and fiscal 2017 annual report to shareholders. This notice also provides instructions on how to vote online or by telephone and includes instructions on how to receive a paper copy of the proxy materials by mail.

The matters to be acted upon are described in the notice of annual meeting and proxy statement.

**Your vote is very important.** Whether or not you plan to attend the Annual Meeting, please take the time to vote. You may vote over the internet, as well as by telephone, or, if you requested to receive printed proxy materials, by mailing a proxy or voting instruction card. If you attend the Annual Meeting, you may vote in person if you wish, even though you have previously submitted your vote.

On behalf of the Board of Directors, I would like to express our appreciation for your support of RealNetworks. We look forward to seeing you at the meeting.

Sincerely,

ROBERT GLASER

*Founder, Chairman and*

*Chief Executive Officer*

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**REALNETWORKS , INC.**

**1501 First Avenue South, Suite 600**

**Seattle, Washington 98134**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON**

**October 1, 2018**

**at 1:30 p.m. Pacific Time**

To the Shareholders of RealNetworks, Inc.:

NOTICE IS HEREBY GIVEN that the 2018 Annual Meeting of Shareholders of RealNetworks, Inc., a Washington corporation, will be held on Monday, October 1, 2018 at 1:30 p.m., Pacific Time, on the first floor of our corporate headquarters building at 1501 First Avenue South, Seattle, Washington 98134 for the following purposes, each of which is more fully described in the accompanying proxy statement:

1. To elect Rob Glaser and Bruce A. Jaffe as Class 3 directors, each to serve for a three-year term;
2. To conduct an advisory vote to approve executive compensation;
3. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018; and
4. To transact any other business properly presented at the meeting.

You are entitled to notice of and to vote at the Annual Meeting if you were a shareholder of record at the close of business on July 27, 2018. A list of shareholders as of that date will be available at the meeting and for ten days prior to the meeting at our principal executive offices located at 1501 First Avenue South, Suite 600, Seattle, Washington 98134.

We encourage you to join us and participate in the meeting. If you are unable to do so, however, you have the option to vote in one of three ways:

- A. Online at [www.envisionreports.com/RNWK](http://www.envisionreports.com/RNWK), as described in the accompanying proxy statement;
- B. Call the toll-free telephone number shown on your proxy card; or

- C. Mail your signed proxy card (if you received a paper copy of the proxy materials by mail) as soon as possible in the envelope provided.

If your shares are held in the name of a broker, bank, or other holder of record, follow the instructions that you receive from that holder of record in order to properly vote your shares.

BY ORDER OF THE BOARD OF DIRECTORS,

MICHAEL PARHAM

*Senior Vice President, General Counsel*

*and Corporate Secretary*

Seattle, Washington

August 22, 2018

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of**

**Shareholders to Be Held on October 1, 2018**

**Our proxy statement is attached. Financial and other information concerning RealNetworks is contained in our annual report to shareholders for the fiscal year ended December 31, 2017. The proxy statement and our fiscal 2017 annual report to shareholders are available at [www.envisionreports.com/RNWK](http://www.envisionreports.com/RNWK).**

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**REALNETWORKS , INC.**

**1501 First Avenue South, Suite 600**

**Seattle, Washington 98134**

**(206) 674-2700**

**2018 PROXY STATEMENT**

**For the Annual Meeting of Shareholders**

**To Be Held October 1, 2018**

**QUESTIONS AND ANSWERS ABOUT**

**THE PROXY MATERIALS AND THE ANNUAL MEETING**

**What is a proxy?**

A proxy is your legal designation of another person to vote the stock you own. The person you designate is your proxy, and you give the proxy authority to vote your shares by submitting the proxy card. We have designated the following persons to serve as proxies for the annual meeting:

Robert Glaser, Chief Executive Officer and Chairman of the Board; and

Michael Parham, Senior Vice President, General Counsel and Corporate Secretary.

**Why am I receiving these materials?**

The Board of Directors of RealNetworks, Inc. is soliciting proxies for use at the Annual Meeting of Shareholders to be held on Monday, October 1, 2018 at 1:30 p.m. Pacific Time, and for any adjournment or postponement thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Shareholders. The Annual Meeting will be held on the first floor of our corporate headquarters building at 1501 First Avenue South, Seattle, Washington 98134.

As a shareholder, you are invited to attend the Annual Meeting and are requested to vote on the items of business described in this proxy statement. These proxy solicitation materials and RealNetworks Annual Report to Shareholders for the fiscal year ended December 31, 2017, including financial statements, were mailed on or about August 22, 2018, to all shareholders entitled to vote at the Annual Meeting.



**What proposals will be voted at the Annual Meeting?**

Four proposals will be voted on at the Annual Meeting:

The election of two Class 3 directors, Rob Glaser and Bruce A. Jaffe, to serve for terms of three years, each until their respective successors are duly elected and qualified, subject to earlier resignation or removal;

A non-binding, advisory vote on the compensation of our named executive officers for the fiscal year ended December 31, 2017; and

The ratification of the appointment of KPMG LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2018.

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### **What are the recommendations of the board of directors?**

The board of directors unanimously recommends that you vote:

FOR election of the nominated Class 3 directors (Proposal 1);

FOR the proposal regarding an advisory vote on executive compensation (Proposal 2); and

FOR ratification of KPMG LLP as our independent registered public accounting firm for our current fiscal year (Proposal 3).

### **Will there be any other items of business on the agenda?**

We do not expect any other items of business because the deadline for shareholder proposals and nominations has already passed. Nonetheless, in case there is an unforeseen need, the accompanying proxy gives discretionary authority to the persons named on the proxy with respect to any other matters that might be brought before the Annual Meeting. Those persons intend to vote that proxy in accordance with their best judgment. If for any reason any of the nominees are not available as candidates for director, the persons named as proxy holders will vote your proxy for such other candidate or candidates as may be nominated by the board of directors.

### **What constitutes a quorum?**

As of the close of business on July 27, 2018, the record date, there were 37,611,849 shares of our common stock outstanding. The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the shares of common stock entitled to vote outstanding on the record date will constitute a quorum. Both abstentions and broker non-votes (which occur when a broker indicates on a proxy card that it is not voting on a matter) are considered as shares present at the Annual Meeting for the purpose of determining a quorum.

### **Who is entitled to vote?**

Shareholders holding shares of our common stock at the close of business on the record date may vote at the Annual Meeting. You may vote all shares owned by you as of the record date, including (i) shares held directly in your name as the shareholder of record and (ii) shares held for you as the beneficial owner in street name through a broker, bank or other nominee. Each holder of our common stock is entitled to one vote for each share of common stock held as of the record date.

### **What is the difference between holding shares as a shareholder of record and as a beneficial owner?**

*Shareholder of Record.* If your shares are registered directly in your name with our transfer agent, Computershare, you are considered, with respect to those shares, the shareholder of record. A shareholder of record is also referred to as a registered shareholder.

*Beneficial Owner.* If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name. Your broker, bank or nominee is considered the shareholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker,

bank or nominee how to vote your shares. On anything other than routine matters (such as a proposal to ratify an independent registered public accounting firm), your broker will not be able to vote your shares unless you give your broker specific voting instructions. As such, you must give your broker voting instructions in order for your vote to be counted on the proposal to elect directors (Proposal 1) and the proposal regarding an advisory vote on executive compensation (Proposal 2). We strongly encourage you to vote.

**How do I vote?**

Shareholders of record can vote by telephone, by the internet or by mail, as described below. If you are a beneficial owner, please refer to your proxy card or the information forwarded by your broker, bank or other holder of record to see what options are available to you.

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Registered shareholders may cast their vote using any of the following methods:

- (1) Voting online by following the internet voting instructions at [www.envisionreports.com/RNWK](http://www.envisionreports.com/RNWK);
- (2) Calling 1-800-652-VOTE (8683) and voting by following the instructions provided on the phone line; or
- (3) Signing, dating and promptly mailing your proxy card in the enclosed postage-paid envelope, if you received proxy materials by mail;
- (4) In person at the Annual Meeting. *Even if you plan to attend the Annual Meeting, we recommend that you also submit your proxy or voting instructions by telephone, internet, or mail so that your vote will be counted if you later decide not to attend the Annual Meeting.*

### **How are votes counted?**

In the election of directors, you may vote FOR the nominees or your vote may be WITHHELD with respect to one or more of the nominees. With respect to the advisory vote on executive compensation, and the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the current fiscal year, you may vote FOR, vote AGAINST or ABSTAIN. If you ABSTAIN, the abstention has no effect on the voting results, although abstentions are considered votes cast for the purpose of determining the presence of a quorum. If you provide specific instructions, your shares will be voted as you instruct.

If you sign your proxy card with no further instructions, your shares will be voted in accordance with the recommendations of the board of directors ( FOR the nominees to the board of directors, FOR the advisory vote on executive compensation, and FOR ratification of KPMG LLP as our independent registered public accounting firm for the current fiscal year, and in the discretion of the proxy holders on any other matters that properly come before the Annual Meeting). If you are a beneficial holder and do not return a voting instruction form, your broker, bank or nominee may only vote on the ratification of KPMG LLP as our independent registered public accounting firm for the current fiscal year.

### **What vote is required to approve each item?**

In the election of directors (Proposal 1), the two candidates for director who receive the highest number of affirmative votes will be elected if a quorum is present at the Annual Meeting. In the advisory vote on executive compensation (Proposal 2), and the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the current fiscal year (Proposal 3), such proposals will be approved if the number of votes cast in favor of such proposal exceeds the number of votes cast against such proposal and a quorum is present at the Annual Meeting.

### **What are broker non-votes and what effect do they have on the proposals?**

Generally, broker non-votes occur when a broker (i) has not received voting instructions from the beneficial owner with respect to a particular proposal and (ii) lacks discretionary voting power to vote those shares with respect to that particular proposal. In tabulating the voting results for any particular proposal, shares that constitute broker non-votes are not considered votes cast on that proposal. Broker non-votes and abstentions are counted for purposes of

determining whether a quorum is present, but only FOR and AGAINST votes are counted for purposes of determining the votes received in connection with each proposal.

A broker is entitled to vote shares held for a beneficial owner on routine matters, such as the ratification of KPMG LLP as our independent registered public accounting firm for the current fiscal year (Proposal 3), without instructions from the beneficial owner of those shares. On the other hand, absent instructions from the beneficial owner of such shares, a broker is not entitled to vote shares held for a beneficial owner on certain non-routine matters, such as the uncontested election of our directors (Proposal 1) and the advisory vote on

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executive compensation (Proposal 2). Thus, if you do not give your broker specific voting instructions, your shares may not be voted on these non-routine matters and will not be counted in determining the number of shares necessary for approval.

### **Can I change or revoke my proxy?**

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use by delivering to the Corporate Secretary of RealNetworks at our principal offices as set forth above in the Notice of Annual Meeting a written notice of revocation or a duly executed proxy bearing a later date or by attending the Annual Meeting and voting in person.

### **Is cumulative voting permitted for the election of directors?**

No. Neither our charter nor our bylaws permit cumulative voting at any election of directors.

### **How are proxies solicited?**

The costs and expenses of soliciting the proxies accompanying this proxy statement from shareholders will be borne by RealNetworks. Our employees, officers and directors may solicit proxies in person, by telephone or by electronic communication. None of these individuals will receive any additional or special compensation for doing this, but they may be reimbursed for reasonable out-of-pocket expenses. In addition, we may reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation material to the beneficial owners of common stock. Your cooperation in promptly voting your shares and submitting your proxy by telephone, internet or by completing and returning the enclosed proxy card will help to avoid additional expense.

### **Who will serve as inspector of elections?**

Our officers are authorized to designate an inspector of elections for the meeting. It is anticipated that the inspector of elections will be a representative from Computershare.

### **When is our fiscal year end?**

Our fiscal year ends on December 31. This proxy statement provides information about the matters to be voted on at the Annual Meeting and additional information about us and our executive officers and directors. Some of the information is provided as of the end of our most recently completed fiscal year and some information is provided as of a more current date.

### **How can shareholders make a proposal for the 2019 annual meeting?**

An eligible shareholder who desires to have a qualified proposal considered for inclusion in the proxy statement and form of proxy prepared in connection with our 2019 annual meeting of shareholders must deliver a copy of the proposal to our Corporate Secretary, at our principal offices, not less than 120 days prior to the first anniversary of the date that this proxy statement was released to our shareholders, or, if the date of our 2019 annual meeting has been changed by more than 30 days from the date of our 2018 annual meeting, then no later than a reasonable time before we begin to print and mail our proxy materials. To be eligible to submit a proposal for inclusion in our proxy statement, a shareholder must have continually been a record or beneficial owner of shares of common stock having a market value of at least \$2,000 (or representing at least 1% of the shares entitled to vote on the proposal), for a period

of at least one year prior to submitting the proposal, and the shareholder must continue to hold the shares through the date on which the meeting is held.

A shareholder of record who intends to submit a proposal at the 2019 annual meeting of shareholders that is not eligible or not intended for inclusion in our proxy statement must provide us with written notice, addressed to

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the Corporate Secretary at our principal offices, not less than 120 days prior to the first anniversary of the date that this proxy statement was released to our shareholders, or, if the date of our 2019 annual meeting has been changed by more than 30 days from the date of our 2018 annual meeting, then no later than a reasonable time before we begin to print and mail our proxy materials. The notice must also satisfy certain additional requirements specified in our bylaws, a copy of which will be sent to any shareholder upon written request to our Corporate Secretary.

**I share an address with another shareholder, and we received only one paper copy of the proxy materials. How may I obtain an additional copy of the proxy materials?**

If you share an address with another shareholder, each shareholder may not receive a separate copy of our Annual Report, proxy materials or Notice of Internet Availability of Proxy Materials. Shareholders who do not receive a separate copy of our Annual Report, proxy materials or Notice of Internet Availability of Proxy Materials, but would like to receive a separate copy or additional copies, may request these materials by calling 1-206-892-6320 or writing to: Investor Relations, RealNetworks, Inc., 1501 First Avenue South, Suite 600, Seattle, Washington 98134.

Shareholders who share an address and receive multiple copies of our Annual Report, proxy materials or Notice of Internet Availability of Proxy Materials may also request to receive a single copy by following the instructions above. Current and prospective investors can also access our Form 10-K, proxy statement and other financial information on the **Financial Information** section of our website at <http://investor.realnetworks.com>.



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**PROPOSAL 1 ELECTION OF DIRECTORS**

Our Amended and Restated Bylaws provide for a Board of Directors that consists of not less than two and no more than nine members. Our Amended and Restated Articles of Incorporation provide that when the Board of Directors consists of four or more members, the directors will be divided into three classes (each class being as nearly equal in number as possible), with directors serving for staggered, three-year terms. The authorized number of directors is currently set at seven, with no current vacancies.

Our Class 3 directors' terms expire at the Annual Meeting. Rob Glaser and Bruce A. Jaffe are our current Class 3 directors, and they also are the board of directors' nominees for election by the shareholders at the Annual Meeting. If elected, as Class 3 directors Mr. Glaser and Mr. Jaffe will serve as directors until our annual meeting of shareholders in 2021, each until their respective successor is elected and qualified, subject to earlier resignation or removal. If these two individuals are elected, the board of directors will continue to have seven members immediately following the Annual Meeting.

Mr. Glaser and Mr. Jaffe have been nominated by the Board of Directors, upon recommendation of the Nominating and Corporate Governance Committee of the Board of Directors, comprised of non-management directors, and recommended to the shareholders by the Board of Directors for election at the Annual Meeting.

The accompanying proxy will be voted **FOR** the election of Mr. Glaser and Mr. Jaffe to the Board of Directors, except where authority to so vote is withheld. Proxies may not be voted for a greater number of persons than the number of nominees named. The nominees have consented to serve as members of our board if elected. If at the time of the Annual Meeting a nominee is unable or declines to serve as a director, the discretionary authority provided in the enclosed proxy will be exercised to vote for a substitute candidate designated by the Nominating and Corporate Governance Committee of the Board of Directors. The Board of Directors has no reason to believe that any of the nominees will be unable, or will decline, to serve as a director.

The Board has determined that Mr. Jaffe is independent under the Nasdaq listing standards, and that Mr. Glaser is not independent under the Nasdaq listing standards.

The name, age and certain background information regarding each member of our Board of Directors is set forth below. There are no family relationships among our directors or executive officers. In addition to the information presented below regarding each director's specific experience, qualifications, attributes and skills that led the Board of Directors to conclude that he or she is qualified to serve as a director, each of our directors has demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment to RealNetworks and our Board.

**Nominees for Director**

*Class 3 Directors*

**Specific Experience,**

**Qualifications  
and Skills Considered**

**Biographical Information**

**by our Board**

|                            |  |  |
|----------------------------|--|--|
| <b>Bruce A. Jaffe</b>      | <p>Mr. Jaffe serves as President and Chief Executive Officer of Donuts Inc., an early stage, privately held operator of top-level domain names, since January 1, 2017. He is also a consultant and investor with Three Point Group, LLC, which he founded in 2008 and which focuses on early stage and growth technology companies. Mr. Jaffe served as Chief Financial Officer and EVP Corporate Development of Glam Media, a privately held media company, from May 2010 to December 2011. From June 1995 through February 2008, Mr. Jaffe held various positions at Microsoft Corporation, most recently serving as its Corporate Vice President, Corporate Development, where he managed M&amp;A and strategic transactions. Mr. Jaffe serves as a director of several privately</p> | Senior executive leadership and business strategy experience |
| <b>Age 54</b>              |  | Management advisory and finance experience                   |
| <b>Director since 2015</b> |  | Experience investing in and advising early stage companies   |

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|                                 |  | <b>Specific Experience,<br/>Qualifications<br/>and Skills Considered<br/>by our Board</b>           |
|---------------------------------|--|---|
| <b>Biographical Information</b> |  |   |
|                                 | held companies, including Donuts Inc. Mr. Jaffe holds a B.S. degree from UC Berkeley and an M.B.A. from the Stanford University Graduate School of Business.   | Experience through service as a director of private companies                                       |
| <b>Robert Glaser</b>            | Mr. Glaser, founder of RealNetworks, currently serves as our Chief Executive Officer. He has served as Chairman of the Board of Directors of RealNetworks since its inception in 1994 and served as Chief Executive Officer of RealNetworks from 1994 through January 2010, returning as interim CEO in July of 2012 and becoming permanent CEO in July 2014. Mr. Glaser has served as a venture partner at Accel Partners, a venture capital firm, since May 2010. Mr. Glaser's professional experience also includes ten years of employment with Microsoft Corporation where he focused on the development of new businesses related to the convergence of the computer, consumer electronics and media industries. Mr. Glaser holds a B.A. and an M.A. in Economics and a B.S. in Computer Science from Yale University. | Experience with technology companies through service as a founder, investor, executive and director |
| <b>Age 56</b>                   |  |   |
| <b>Director since 1994</b>      |  | Extensive historical knowledge of RealNetworks and the industries in which it operates              |
|                                 |  | Management advisory experience  |

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE NOMINEES NAMED IN PROPOSAL 1.**

**Continuing Directors Not Standing for Election This Year**

The remaining members of our Board are Class 1 directors whose terms continue until 2019, and Class 2 directors whose terms continue until 2020:

|                                 |  | <b>Specific Experience,<br/>Qualifications<br/>and Skills Considered<br/>by our Board</b> |
|---------------------------------|--|---|
| <b>Biographical Information</b> |  |   |
| <i>Class 1 Directors</i>        |  |   |

|   |   |   |
|---|---|---|
| <p><b>Christopher R. Jones</b></p> <p><b>Age 49</b></p> <p><b>Director since 2016</b></p> | <p>Mr. Jones serves as the SVP of Product for Amperity, Inc., a privately held company providing the world's first intelligent customer data platform. Prior to joining Amperity, Mr. Jones spent over 25 years at Microsoft Corporation in leadership roles in product management and product development. As Engineering Director for Microsoft, a position he held from October 2015 to May 2018, he co-created Microsoft Healthcare NExT, an incubator which aims to accelerate healthcare innovation through artificial intelligence and cloud computing. From February 2000 to October 2015, he served as a Corporate Vice President in various business divisions at Microsoft, including OneDrive &amp; SharePoint, Windows Services, and Windows, where he led the engineering teams for several Microsoft products, such as OneDrive and OneDrive for Business, SharePoint Online and SharePoint Server, Outlook.com and other consumer services, and Windows XP. Mr. Jones joined Microsoft in August 1991. Mr. Jones currently serves on the Board of Trustees of The Bush School. Mr. Jones holds a B.S. degree in mathematical and computational sciences from Stanford University.</p> | <p>Senior leadership experience</p> <p>Extensive experience in software engineering and development</p>   |
| <p><b>Dawn G. Lepore</b></p> <p><b>Age 64</b></p> <p><b>Director since 2013</b></p>       | <p>Ms. Lepore served as interim Chief Executive Officer of Prosper Marketplace, Inc., a privately held peer-to-peer lending marketplace, from March 2012 to January 2013. She served as Chief Executive Officer and Chairman of the Board of drugstore.com, inc., a leading online provider of health, beauty, vision, and pharmacy solutions, from October 2004 until its sale to Walgreen Co. in June 2011. Prior to joining drugstore.com, Ms. Lepore spent 21 years at the Charles Schwab Corporation and Charles Schwab &amp; Co, Inc., a financial holding company, holding several leadership positions, most notably Vice Chairman of Technology, Active Trader, Operations, Business</p>   | <p>Senior executive leadership and business strategy experience</p> <p>Executive-level experience with technology companies</p> <p>Significant experience, expertise and background with regard</p> |

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|                           | <b>Biographical Information</b>   | <b>Specific Experience,<br/>Qualifications<br/>and Skills Considered<br/>by our Board</b>  |
|---------------------------|---|--|
|                           | Strategy, and Administration, and Chief Information Officer. She also served as a member of Schwab's executive committee and as a trustee of SchwabFunds. Ms. Lepore previously served on the boards of directors of Quotient Technology Inc. from February 2012 to November 2017, AOL Inc. from October 2012 until its sale to Verizon Communications Inc. in July 2015, The TJX Companies, Inc. from June 2013 to June 2014, eBay Inc. from December 1999 to January 2013, and The New York Times Company from April 2008 to June 2011. She also currently serves, and in the past has served, on the boards of several privately held companies. Ms. Lepore holds a B.A. degree from Smith College.  | to business, accounting and financial matters<br><br>Experience through service as a director of public and private companies  |
| <b>Dominique Trempont</b> | Mr. Trempont has served, since February 2011, as a director of Daily Mail and General Trust plc, a producer of media content, information analytics and events for businesses and consumers. Mr. Trempont has also served, from July 2008 till June 2017, as a director of Energy Recovery, Inc., a manufacturer of energy efficient recovery devices that enable the economic transformation of sea water into drinkable water and recover the energy contained in industrial flows in oil, gas and fracking applications; he served as Chair of the Audit Committee of Energy Recovery, Inc. From 2005 to November 2011, Mr. Trempont served as a director of Finisar Corporation, a company that develops and markets high speed data communication systems and software for networking and storage. From 2006 to April 2010, Mr. Trempont served as a director of 3Com Corporation, a network management company that was acquired by Hewlett Packard in April 2010; he served as Chair of the Audit Committee of 3Com. From 2003 to 2005, Mr. Trempont was CEO-in-Residence at Battery Ventures, a venture capital firm. Prior to joining Battery Ventures, Mr. Trempont was Chairman, President and Chief Executive Officer of Kanisa, Inc., a B2B cloud-based, automated technical support company focused on artificial intelligence powered self-service, peer-to-peer and call center enablement, from 1999 to 2002. Mr. Trempont was President and CEO of Gemplus Corporation, a smart card and mobile apps company, from 1997 to 1999. Prior to Gemplus, Mr. Trempont served as Chief Financial Officer and head of Operations at NeXT Software. Mr. Trempont began his career at Raychem Corporation, a materials science and engineering company focused on telecommunications, electronics, automotive and other industries. Mr. Trempont currently serves as a director of privately held on24, Inc., a cloud provider of marketing automation solutions, and | Senior leadership experience<br><br>Management advisory experience<br><br>Global financial and M&A expertise<br><br>Executive-level experience with technology companies, with particular expertise in software companies, and business-to-business and business-to-consumer sales models<br><br>Experience through service as a director of |

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Airspan Networks, Inc., a leading vendor of LTE small cells and backhaul technology. Mr. Trempont earned an undergraduate degree in Economics from College St. Louis (Belgium), a B.A. with high honors in Business Administration and Software (LSM) from the University of Louvain (Belgium) and a master's degree in Business Administration from INSEAD (France/Singapore).

global public and private companies

*Class 2 Directors*

**Janice Roberts**

**Age 62**

**Director since 2010**

Ms. Roberts serves as a Partner on the investment team of Benhamou Global Ventures, an early-stage venture capital firm based in Silicon Valley. As a Partner, she advises a number of private companies. From 2000 to 2013, Ms. Roberts served as Managing Director of Mayfield Fund where she continued as a venture advisor until 2014. Ms. Roberts' current areas of investment interest include enterprise digital transformation such as productivity, collaboration, analytics, mobility and the Internet of Things. From 1992 to 2000, Ms. Roberts was employed by 3Com Corporation, a networking equipment company that was acquired by Hewlett Packard in April 2010, where she held various executive positions, most recently serving as President of 3Com Ventures and Senior Vice President Global Marketing and Business Development. Ms. Roberts managed a number of the new business

Senior leadership experience, in the U.S. and Europe

Management advisory experience

Executive-level experience with global technology companies, including companies focused on networking, mobile and wireless communications

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|                         | <b>Biographical Information</b>  | <b>Specific Experience,<br/>Qualifications<br/>and Skills Considered<br/>by our Board</b>  |
|-------------------------|--|--|
|                         | <p>initiatives at 3Com, including its Palm Computing subsidiary. Previously, Ms. Roberts was Managing Director and President of BICC Data Networks Ltd., a networking equipment company that was acquired by 3Com in 1992. Ms. Roberts' early career was based in Europe and included various technology-related marketing and general management positions. Ms. Roberts serves on the boards of publicly traded Zebra Technologies, an industry leader in enterprise asset intelligence providing solutions and services for real-time visibility of operations, since October 2013, and Zynga, Inc., a leading developer of popular social and mobile games, since February 2017. She served as a director of publicly traded ARM Holdings, Plc, a leading semiconductor IP company for mobile and consumer devices, from June 2011 until its acquisition by SoftBank Group Corporation in September 2016. Ms. Roberts serves as Co-Chair of GBx Global, an organization supporting entrepreneurship and technology businesses spanning the U.K. and U.S. She also sits on the advisory board of Illuminate Ventures. Ms. Roberts holds a Bachelor of Commerce degree (Honours) from the University of Birmingham in the United Kingdom.</p> | <p>technologies, consumer and enterprise</p> <p>Experience investing in and advising early- and later-stage companies</p> <p>Experience through service as a director of public, private and nonprofit companies in the U.S., Europe and Asia, including service on audit, compensation, and nominating and governance committees of the board</p> |
| <b>Michael B. Slade</b> | <p>Mr. Slade is a co-founder of Second Avenue Partners, a provider of management, strategy and capital for early stage companies, where he has served as a partner since 2000. From 2005 to 2006, Mr. Slade served as a strategic advisor for RealNetworks. From 2002 to May 2007, Mr. Slade served as a director of aQuantive, Inc., a publicly traded digital marketing service and technology company that was acquired by Microsoft Corporation in May 2007. From 1998 to 2004, Mr. Slade served as a consultant and member of the executive team at Apple Inc. From 1993 to 1998, Mr. Slade was chairman of the board of directors and chief executive officer of Starwave Corp., a Paul Allen-funded startup that was sold to The Walt Disney Corp. From 1983 to 1992, Mr. Slade held various executive and leadership positions with technology companies including Microsoft Corporation, Central Point Software, NeXT Computer, Inc. and Asymetrix Corp. Mr. Slade holds a B.A. in Economics from Colorado College and an M.B.A. from the Stanford University Graduate School of Business.</p>  | <p>Senior executive leadership and business strategy experience</p> <p>Management advisory experience</p> <p>Executive-level experience with technology companies</p> <p>Experience through service as a director of</p>   |





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### **BOARD OF DIRECTORS & GOVERNANCE MATTERS**

Our business is managed under the direction of a Board of Directors, which has responsibility for establishing broad corporate policies and for the overall performance of RealNetworks. It is not, however, involved in operating details on a day-to-day basis.

#### **Board Leadership Structure**

Effective July 28, 2014, Mr. Glaser, the Chairman of our Board, was appointed as our Chief Executive Officer. He had previously served as interim CEO from July 2012 to July 2014 and as CEO from the founding of RealNetworks in February 1994 until January 2010. In maintaining Mr. Glaser's position as Chairman, the Board has recognized the value of leveraging Mr. Glaser's longtime leadership and knowledge of RealNetworks. In appointing Mr. Glaser as Chief Executive Officer, among other things, the Board determined that Mr. Glaser is best positioned to effectively identify and execute on our strategic priorities.

Since October 18, 2012, the date of our 2012 annual meeting, Dominique Trempont has served as our lead independent director. As lead independent director, Mr. Trempont is responsible for presiding over executive sessions of the independent directors, advising as to the quality, quantity and timeliness of the flow of information from management necessary for independent directors to effectively and responsibly perform their duties, coordinating the activities of the other independent directors, and acting as principal liaison between independent directors and management.

Our Board believes that its current leadership structure consisting of a joint chairman and chief executive officer and a lead independent director gives the Board flexibility to meet varying business, personnel and organizational needs at this time, and demonstrates its commitment to good corporate governance.

#### **Director Independence**

Our Board of Directors has determined that all of our directors other than Mr. Glaser and Mr. Slade are independent under the Nasdaq listing standards and the applicable rules promulgated by the SEC. Applying these same rules, our Board has determined that all members of the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee are independent.

#### **Arrangements Regarding Director Selection**

Pursuant to the terms of an agreement entered into in September 1997 between RealNetworks and Mr. Glaser, RealNetworks has agreed to use its best efforts to nominate, elect and not remove Mr. Glaser from the Board of Directors so long as Mr. Glaser owns a specified number of shares of our common stock.

#### **Meetings of the Board and Committees**

The Board meets on a regularly scheduled basis during the year to review significant developments affecting RealNetworks and to act on matters requiring Board approval. It also holds special meetings when an important matter requires Board action between regularly scheduled meetings. The Board of Directors met seven times during our fiscal year ended December 31, 2017 and took action by unanimous written consent on four occasions. The independent members of the Board of Directors regularly met in executive session without management present. No incumbent member attended fewer than 75% of the aggregate number of meetings of the Board of Directors held during the period for which he or she has been a director, except that each of Mr. Jaffe and Ms. Lepore was unable to participate

in two telephonic meetings of the Board. No incumbent member attended fewer than 75% of the aggregate number of meetings of any Board committees on which he or she served during the periods that he or she served during the fiscal year.

**Table of Contents****Committees of the Board**

The Board of Directors has a standing Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee. In addition, the Board has in the past and may in the future create special committees from time to time. Applying the rules of the Nasdaq Stock Market and the SEC, the Board has determined that all members of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee are independent. Committee membership of the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee as of July 31, 2018 was as follows:

| <b>Audit Committee</b>     | <b>Compensation Committee</b> | <b>Nominating<br/>and<br/>Corporate<br/>Governance<br/>Committee</b> |
|----------------------------|-------------------------------|--|
| Dominique Trempont (chair) |                               | Dawn G.<br>Lepore (chair)  |
| Bruce A. Jaffe             | Janice Roberts (chair)        | Janice Roberts   |
| Christopher R. Jones       | Dawn G. Lepore                |  |
|                            | Dominique Trempont            |  |

*Audit Committee.* The Audit Committee provides oversight of our accounting and financial reporting processes and financial statement audits, reviews our internal accounting procedures and consults with and reviews the services provided by our independent auditors. All of the members of our Audit Committee are financially literate pursuant to Nasdaq rules, and our Board has designated Mr. Trempont as an Audit Committee Financial Expert, as defined by the SEC and applicable listing standards. For 2017, all current members served on the Audit Committee for the entire year, with Mr. Trempont serving as chair the entire year. The Board of Directors has adopted a written charter for the Audit Committee which can be found on our corporate website at <http://investor.realnetworks.com> under the caption Corporate Governance. The Audit Committee met seven times and acted by written consent two times during the fiscal year ended December 31, 2017.

*Compensation Committee.* The Compensation Committee establishes, reviews and recommends to the Board the compensation and benefits to be provided to RealNetworks' executive officers and reviews general policy matters relating to employee compensation and benefits. For 2017, all current members served on the Compensation Committee for the entire year, with Ms. Roberts acting as chair the entire year. The Board of Directors has adopted a written charter for the Compensation Committee which can be found on our corporate website at <http://investor.realnetworks.com> under the caption Corporate Governance. The Compensation Committee met seven times and acted by written consent six times during the fiscal year ended December 31, 2017.

The Compensation Committee has the authority to retain a compensation consultant to assist in the evaluation of executive compensation and has the authority to approve the consultant's fees and retention terms. In 2017, the Compensation Committee engaged Frederic W. Cook & Co., Inc. as its independent compensation consultant to provide analyses and make recommendations concerning executive and non-management director compensation.

*Nominating and Corporate Governance Committee.* The Nominating and Corporate Governance Committee searches for and recommends to the Board potential nominees for Board positions, makes recommendations to the Board regarding size and composition of the Board, and develops and recommends to the Board the governance principles applicable to RealNetworks. For 2017, Ms. Lepore and Ms. Roberts served on the Nominating and Corporate Governance Committee for the entire year, with Ms. Lepore acting as chair for the entire year. The Board of Directors

has adopted a written charter for the Nominating and Corporate Governance Committee which can be found on our corporate website at <http://investor.realnetworks.com> under the caption Corporate Governance. The Nominating and Corporate Governance Committee met two times and acted by written consent five times during the fiscal year ended December 31, 2017.

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### **Compensation Committee Interlocks and Insider Participation**

In 2017, the Compensation Committee was composed of Ms. Roberts, Ms. Lepore and Mr. Trempont for the entire year. In 2017, no executive officer of RealNetworks served as a member of the board of directors or compensation committee of any entity that had one or more executive officers serving as a member of RealNetworks Board of Directors or Compensation Committee. In addition, no interlocking relationship existed between any member of our Compensation Committee and any member of the compensation committee of any other company.

### **Board Oversight of Risk**

Our management team is responsible for the day-to-day management of risks faced by RealNetworks, while the Board of Directors oversees our risk management, both as a full Board of Directors and through its committees. The Board obtains information and insight on risk management from our senior executives who attend Board meetings and are available to address any questions or concerns raised by the Board on risk management-related and any other matters. The Board also gains information from presentations prepared by senior management on strategic and significant operational matters involving our business. The Board of Directors also periodically reviews and approves our strategic plans and initiatives, including the related expected opportunities and challenges facing the business and the execution of those plans.

The Board of Directors has delegated the oversight of certain risk areas to Board committees that assist the Board in fulfilling its risk oversight responsibility. For example, the Audit Committee has the responsibility to consider and discuss major financial risk exposures and the steps management has taken to monitor and control these risks. The Audit Committee also monitors compliance with legal and regulatory requirements, reviews legal matters that could have a significant financial impact on RealNetworks and oversees the performance of our internal audit function. In addition, the Audit Committee monitors our code of ethics and oversees our procedures for handling employee complaints regarding accounting, accounting controls and auditing matters.

The Audit Committee also reviews the annual comprehensive enterprise risk assessment performed by our internal audit department that encompasses a number of significant areas of risk, including strategic, operational, compliance, investment and financial risks. This assessment process is designed to gather data regarding the most important risks that could impact our ability to achieve objectives and execute strategies and entails reviewing critical policies and strategies as well as monitoring emerging industry trends and issues. The assessment is reviewed by our Chief Executive Officer and Chief Financial Officer and presented to the Audit Committee to facilitate discussion of any high risk areas.

The Board of Directors has also delegated to other committees the oversight of risk within their areas of responsibilities and expertise. The Compensation Committee has primary responsibility for the compensation of our chief executive officer and reviews and approves the compensation of our executive officers. The Compensation Committee also reviews the relationship of executive compensation to our corporate strategies and business plans and, in connection with these responsibilities, conducts an annual review of our risk assessment of compensation policies and practices for our employees. The Nominating and Corporate Governance Committee oversees the risk associated with our corporate governance policies and practices. Each committee of the Board is responsible for reporting its findings and recommendations, as appropriate, to the full Board of Directors.

### **Policy Regarding Director Attendance at Annual Meetings of Shareholders**

We have a policy that at least one member of our Board of Directors will attend each annual meeting of shareholders, and all directors are encouraged to attend shareholder meetings. We reimburse directors for reasonable expenses

incurred in attending annual meetings of shareholders. One director attended our annual meeting of shareholders held on September 19, 2017.

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### **Code of Business Conduct and Ethics**

We have adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers and directors. Our Code of Business Conduct and Ethics is publicly available on our corporate website (<http://investor.realnetworks.com> under the caption "Corporate Governance"), or can be obtained without charge by written request to our Corporate Secretary at the address of RealNetworks' principal executive office. We intend to satisfy the disclosure requirements under Item 5.05 of Form 8-K regarding an amendment to or waiver from the application of the Code of Business Conduct and Ethics that applies to the Chief Executive Officer or the Chief Financial Officer, and any other applicable accounting and financial employee, by posting such information on our website at <http://investor.realnetworks.com> under the caption "Corporate Governance."

### **Identification, Evaluation and Qualification of Director Nominees**

In general, the Nominating and Corporate Governance Committee reviews director candidates identified by Board members and any third-party search firms engaged by the Committee as part of the director nomination process. The Committee will consider candidates presented, and those candidates that the Committee determines meet the criteria for serving will be interviewed and evaluated by members of the Committee, who will review each nominee's qualifications and references and such other information as the Committee may deem relevant. The other directors and the third party search firm, if one is engaged, are also given the opportunity to meet with and interview the candidates. The Committee will then recommend to the full Board the nominees that it has determined best suit the Board's needs. The Board ultimately makes all nominations for directors to be considered and voted upon at our annual meetings of shareholders.

Qualifications required of individuals who are considered as board nominees will vary according to the particular areas of expertise being sought as a complement to our existing board composition at the time of any vacancy. All directors should possess the background, skills, expertise, and commitment necessary to make a significant contribution to RealNetworks. Relevant qualifications for our directors include: (1) exemplary personal and professional ethics and integrity; (2) the ability to engage in objective, fair and forthright deliberations; (3) operating experience at a policy-making level in business(es) relevant to our current and future plans; (4) independent judgment; (5) adequate time and personal commitment to provide guidance and insight to management; (6) a commitment to provide long-term value to our shareholders; (7) sophisticated business skills to enable rigorous and creative analysis of complex issues; and (8) understanding and experience in relevant markets, technology, operations, finance or marketing in the context of an assessment of the perceived needs of the Board as determined from time to time.

While we do not have a formal policy or guidelines regarding diversity of membership of our Board of Directors, the Board recognizes the value of having a broad range of skills, expertise, contacts, industry knowledge, and diversity of opinion on our board. Therefore, the Board gives consideration to obtaining a diversity of experience and perspective within the Board and solicits directors' views on a variety of topics, including whether directors as a whole have the appropriate mix of characteristics, attributes, business experience and background to effectively serve as one of our directors.

### **Shareholder Nominations and Recommendations for Director Candidates**

#### *Shareholder Nominations for Director*

Pursuant to our Amended and Restated Bylaws, shareholders who wish to nominate one or more candidates for election as directors at an annual meeting of shareholders must give notice of the proposal to nominate such candidate(s) in writing to our Corporate Secretary not less than 120 days before the first anniversary of the date that

our proxy statement was released to shareholders in connection with the previous year's annual meeting, or, if the date of the annual meeting at which the shareholder proposes to make such nomination is more than 30 days from the first anniversary of the date of the previous year's annual meeting, then the shareholder must give notice in a reasonable time before we begin to print and mail our proxy materials. The notice must satisfy certain



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requirements specified in our Amended and Restated Bylaws, a copy of which will be sent to any shareholder upon written request to our Corporate Secretary. The Nominating and Corporate Governance Committee will evaluate shareholder nominees using the same standards it uses to evaluate other nominees.

No shareholder has presented a timely notice of a proposal to nominate a director this year. Accordingly, the only directors to be elected at the Annual Meeting are Mr. Glaser and Mr. Jaffe. No other nominations are before, or may be brought at, the Annual Meeting.

### *Shareholder Recommendations for Director*

In addition to the general nomination rights of shareholders, the Nominating and Corporate Governance Committee of the Board of Directors will consider Board candidates recommended by qualified shareholders in accordance with a written policy adopted by the Committee. To be a qualified shareholder eligible to recommend a candidate to serve on the Board, a shareholder must have continuously held at least 2% of our outstanding securities for at least 12 months prior to the date of the submission of the recommendation.

A qualified shareholder may recommend a Board candidate for evaluation by the Committee by delivering a written notice to the Committee subject to the requirements set forth below. The notice must be received by the Committee not less than 120 days before the first anniversary of the date that our proxy statement was released to shareholders in connection with the previous year's annual meeting. If we change the date of our annual meeting by more than 30 days from the date on which the previous year's annual meeting was held, the notice must be received by the Committee no later than the close of business on the 10th day following the day on which notice of the date of the upcoming annual meeting is publicly disclosed.

Any Board candidate recommended by a shareholder must be independent of the recommending shareholder in all respects (e.g., free of material personal, professional, financial or business relationships from the proposing shareholder), as determined by the Committee or applicable law. Any Board candidate recommended by a shareholder must also qualify as an independent director under applicable Nasdaq rules.

The notice shall also contain or be accompanied by (i) proof of the required stock ownership (including the required holding period) of the proposing shareholder, (ii) a written statement that the qualified shareholder intends to continue to own the required percentage of shares through the date of the annual meeting with respect to which the Board candidate is proposed to be nominated, (iii) the name or names of each shareholder submitting the proposal, the name of the Board candidate, and the written consent of each such shareholder and the Board candidate to be publicly identified, (iv) the recommending shareholder's business address and contact information, and (v) all other information that would be required to be disclosed in a proxy statement or other filings required to be made in connection with the solicitation of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the Exchange Act).

With respect to the proposed Board candidate, the following information must be provided:

name, age, business and residence addresses;

principal occupation or employment;

number of shares of RealNetworks stock beneficially owned (if any);

a written resume of personal and professional experiences;

a statement from the recommending shareholder in support of the candidate, references for the candidate, and an indication of the candidate's willingness to serve, if elected;

all other information relating to the proposed Board candidate that would be required to be disclosed in a proxy statement or other filings required to be made in connection with the solicitation of proxies for election of directors pursuant to Section 14 of the Exchange Act and the regulations promulgated thereunder; and

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information, documents or affidavits demonstrating to what extent the proposed Board candidate meets the required minimum criteria established by the Committee, and the desirable qualities or skills, described in our policy regarding director nominations.

The notice must also include a written statement that the recommending shareholder and the proposed Board candidate will make available to the Committee all information reasonably requested in furtherance of the Committee's evaluation as well as the signature of each proposed Board candidate and of each shareholder submitting the recommendation.

The notice must be delivered in writing, by registered or certified, first-class mail, postage prepaid, to Chair, Nominating and Corporate Governance Committee, RealNetworks, Inc., c/o Corporate Secretary, 1501 First Avenue South, Suite 600, Seattle, Washington 98134.

### **Communicating with the Board of Directors**

Shareholders who wish to communicate with our Board of Directors, or with any individual member of the Board, may do so by sending such communication in writing to the attention of our Corporate Secretary at the address of our principal executive offices with a request to forward the same to the intended recipient. Shareholder communications must include confirmation that the sender is our shareholder. All such communications will be reviewed by our Corporate Secretary or Chief Financial Officer in order to create an appropriate record of the communication, to assure director privacy, and to determine whether the communication relates to matters that are appropriate for review by our Board of Directors or by any individual director. Communications will not be forwarded to Board members that (i) are unrelated to our business, (ii) contain improper commercial solicitations, (iii) contain material that is not appropriate for review by the Board of Directors based upon our Bylaws and the established practice and procedure of the Board, or (iv) contain other improper or immaterial information.

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**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

**Policies and Procedures With Respect to Related Person Transactions**

It is the policy of RealNetworks not to enter into any related person transaction unless the Audit Committee of the Board of Directors reviews and approves such transaction in accordance with guidelines set forth in the RealNetworks, Inc. Policy Regarding Related Party Transactions, or the transaction is approved by a majority of RealNetworks' disinterested directors. In reviewing and approving any related person transaction, the Audit Committee will satisfy itself that it has been fully informed as to the related person's relationship and interest including all material facts of the proposed transaction, and determine that the transaction is fair to RealNetworks.

All related person transactions of which RealNetworks' management is aware will be disclosed to the Audit Committee. At least annually, management will elicit information from our executive officers and directors as to existing and potential related person transactions, and will seek to obtain such information from 5% shareholders who do not file reports with the SEC on Schedule 13G. An executive officer or director will promptly inform the Chair of the Audit Committee when the officer or director becomes aware of a potential related person transaction in which the officer or director would be a related person.

**Certain Relationships and Related Transactions**

Pursuant to the terms of an agreement entered into in September 1997 between RealNetworks and Mr. Glaser, RealNetworks has agreed to use its best efforts to nominate, elect and not remove Mr. Glaser from the Board of Directors so long as Mr. Glaser owns a specified number of shares of common stock.

In August 2012, we entered into a strategic advisory agreement with Michael Slade, a director, whereby Mr. Slade would provide consulting services relating to strategic initiatives of the company and our business units. During 2013, Mr. Slade was paid \$20,000 per month for his services rendered pursuant to this agreement. Effective January 23, 2014, the scope of services provided by Mr. Slade pursuant to this agreement was expanded and the related fee was increased to \$30,000 per month. Effective January 1, 2015, the arrangement was again amended to further expand the services and to provide for compensation for the 6-month period ended June 30, 2015 as follows: (i) a monthly cash fee equal to \$33,333; (ii) the grant of an option to acquire RealNetworks common stock valued at \$100,000 on the grant date to vest 50% on the first anniversary of the grant date and 50% on the second anniversary of the grant date; (iii) the award of restricted stock units valued at \$50,000 on the grant date to vest 50% on the first anniversary of the grant date and 50% on the second anniversary of the grant date; (iv) reimbursement of the monthly equivalent of the \$100,000-per-year cost of an executive assistant; and (v) a guaranteed bonus equal to \$150,000. The arrangement was extended for one month, until July 31, 2015; however, although provided for under the amended agreement, there was no performance bonus for any period after the first half of 2015. From August 1, 2015 through March 2, 2016, the scope of Mr. Slade's services was reduced and the company paid him a consulting fee during that time of \$20,000 per month. Mr. Slade's consulting services to the company ceased on March 2, 2016 and, accordingly, he has been paid no compensation under the strategic advisory agreement, as amended, since that date. From January 1, 2015 through March 2, 2016, Mr. Slade was paid no fees related to his service on the RealNetworks Board of Directors or any committee thereof. As of March 3, 2016, however, Mr. Slade became eligible to earn the standard fees for service as a director.



**Table of Contents****VOTING SECURITIES AND PRINCIPAL HOLDERS****Security Ownership of Certain Beneficial Owners and Management**

The following table sets forth, as of July 27, 2018 (the table date), information regarding beneficial ownership of our common stock by (a) each person known to RealNetworks to be the beneficial owner of more than five percent of RealNetworks' outstanding common stock, (b) each director, (c) our named executive officers, and (d) all of our current executive officers and directors as a group. Percentage of beneficial ownership is based on 37,611,849 shares outstanding as of July 27, 2018. The mailing address for each executive officer and director in the table below is c/o RealNetworks, Inc., 1501 First Avenue South, Suite 600, Seattle, Washington 98134.

| <b>Name of Beneficial Owner</b>                                  | <b>Number of Shares of Common Stock Beneficially Owned(1)</b> | <b>Percentage of Common Stock Outstanding</b> |
|--|---|---|
| Robert Glaser(2)   | 14,087,582  | 36.6%   |
| Ariel Investments, LLC(3)  | 7,236,402   | 19.2%   |
| Neil Subin(4)  | 3,087,439   | 8.2%  |
| Dimensional Fund Advisors LP(5)                                  | 2,428,948   | 6.5%  |
| Bruce A. Jaffe(6)  | 76,790  | *   |
| Christopher R. Jones(7)  | 57,607  | *   |
| Dawn G. Lepore(8)  | 120,120   | *   |
| Janice Roberts(9)  | 156,374   | *   |
| Michael B. Slade(10)   | 207,390   | *   |
| Dominique Trempont(11)   | 127,361   | *   |
| Cary L. Baker(12)  | 102,621   | *   |
| Michael Parham(13)   | 238,872   | *   |
| William J. Patrizio(14)  | 0   | *   |
| Max Pellegrini(15)   | 560,386   | 1.5%  |
| Marjorie Thomas(16)  | 0   | *   |
| All directors and executive officers as a group (10 persons)(17) | 15,735,103  | 39.5%   |

\* Less than 1%.

(1) Beneficial ownership is determined in accordance with rules of the SEC and includes shares over which the beneficial owner exercises voting or investment power. Shares of common stock subject to options currently exercisable or exercisable within 60 days of the table date, and restricted stock units, or RSUs, that will have vested within 60 days of the table date, are deemed outstanding for the purpose of computing the percentage ownership of the person holding the options, but are not deemed outstanding for the purpose of computing the percentage ownership of any other person. Except as otherwise indicated, and subject to community property laws where applicable, RealNetworks believes, based on information provided by such persons, that the persons named in the table above have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

- (2) For Mr. Glaser, includes 459,101 shares of common stock owned by the Glaser Progress Foundation, of which Mr. Glaser is trustee. Mr. Glaser disclaims beneficial ownership of these shares. Also includes 900,679 shares of common stock issuable upon exercise of options exercisable within 60 days of the table date and 0 RSUs that are scheduled to vest within 60 days of the table date.

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- (3) Information is based on a Schedule 13G filed with the SEC on February 13, 2018 by Ariel Investments, LLC. Ariel reported that as of December 31, 2017, it beneficially owned an aggregate of 7,236,402 shares of common stock and that its address is 200 E. Randolph Drive, Suite 2900, Chicago, Illinois 60601.
- (4) Information is based on a Schedule 13G filed with the SEC on January 23, 2018 by Neil S. Subin. Mr. Subin, as President and Manager of MILFAM LLC, reported (i) that as of December 31, 2017, he beneficially owned an aggregate of 3,087,439 shares of common stock, (ii) that MILFAM LLC serves as manager, general partner, or investment advisor of a number of entities formerly managed or advised by the late Lloyd I. Miller, III, and (iii) that his address is 3300 South Dixie Highway, Suite 1-365, West Palm Beach, Florida 33405.
- (5) Information is based on a Schedule 13G filed with the SEC on February 9, 2017 by Dimensional Fund Advisors LP. Dimensional reported that as of December 31, 2017, it beneficially owned an aggregate of 2,428,948 shares of common stock and that its address is Building One, 6300 Bee Cave Road, Austin, Texas 78746. Dimensional furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager or sub-advisor to certain other commingled funds, group trusts and separate accounts. While Dimensional possesses investment and/or voting power over these shares and therefore may be deemed to be the beneficial owner of such shares, Dimensional disclaims beneficial ownership of these shares.
- (6) For Mr. Jaffe, includes 45,000 shares of common stock issuable upon exercise of options exercisable within 60 days of the table date and 9,493 RSUs that are scheduled to vest within 60 days of the table date.
- (7) For Mr. Jones, includes 34,596 shares of common stock issuable upon exercise of options exercisable within 60 days of the table date and 9,493 RSUs that are scheduled to vest within 60 days of the table date.
- (8) For Ms. Lepore, includes 75,520 shares of common stock issuable upon exercise of options exercisable within 60 days of the table date and 9,493 RSUs that are scheduled to vest within 60 days of the table date.
- (9) For Ms. Roberts, includes 94,270 shares of common stock issuable upon exercise of options exercisable within 60 days of the table date and 9,493 RSUs that are scheduled to vest within 60 days of the table date.
- (10) For Mr. Slade, includes 140,829 shares of common stock issuable upon exercise of options exercisable within 60 days of the table date and 17,980 RSUs that are scheduled to vest within 60 days of the table date.
- (11) For Mr. Trempont, includes 94,791 shares of common stock issuable upon exercise of options exercisable within 60 days of the table date and 9,493 RSUs that are scheduled to vest within 60 days of the table date.
- (12) For Mr. Baker, includes 50,000 shares of common stock issuable upon exercise of options exercisable within 60 days of the table date and 0 RSUs scheduled to vest within 60 days of the table date.



- (13) For Mr. Parham, includes 226,098 shares of common stock issuable upon exercise of options exercisable within 60 days of the table date and 0 RSUs that are scheduled to vest within 60 days of the table date.
- (14) Mr. Patrizio ceased to be an executive of RealNetworks effective February 28, 2018.
- (15) For Mr. Pellegrini, includes 531,250 shares of common stock issuable upon exercise of options exercisable within 60 days of the table date and 0 RSUs that are scheduled to vest within 60 days of the table date.
- (16) Ms. Thomas ceased to be an executive of RealNetworks effective May 5, 2017.
- (17) For all directors and executive officers as a group (10 persons), includes an aggregate of 2,193,033 shares of common stock issuable upon exercise of options exercisable within 60 days of the table date and 65,445 RSUs that are scheduled to vest within 60 days of the table date.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities and Exchange Act of 1934, as amended, requires RealNetworks executive officers, directors, and persons who own more than ten percent of a registered class of RealNetworks equity securities to file reports of ownership and changes of ownership with the Securities and Exchange Commission. Executive officers, directors and greater than ten percent shareholders are required by SEC regulation to furnish

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us with copies of all such reports they file. Specific due dates have been established by the SEC, and we are required to disclose any failure to file by those dates.

Based solely on our review of the copies of such reports received by us, and on written representations by our executive officers and directors, we believe that during fiscal 2016, all of our executive officers and directors and all of the persons known to us to own more than ten percent of our common stock, complied with all Section 16(a) filing requirements applicable to them.

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**EXECUTIVE COMPENSATION**

**COMPENSATION DISCUSSION AND ANALYSIS**

This compensation discussion and analysis describes the principles underlying our executive compensation program and discusses how those principles affected our policies and decisions regarding the compensation of our named executive officers.

**EXECUTIVE SUMMARY FOR 2017**

*Overview.* 2017 was a transformative year for RealNetworks, and we ended the year having changed the profile of our businesses and set up the company for growth and profitability. Over the past several years, management has rigorously evaluated the company's legacy products and services, as well as the technologies under development, focusing on achieving meaningful growth and profitability in the near term. During 2017, we began initial market testing on major new products, announced launch partners, and expanded test markets, while also exiting a low-margin business that no longer supported our overall growth and profitability goals. Chairman and Chief Executive Officer, Rob Glaser drove these efforts, together with a strong senior leadership team comprised of Max Pellegrini as President of Mobile Services and Bill Patrizio as President of Consumer Media business, and a corporate leadership team headed by Cary Baker as Chief Financial Officer, new to RealNetworks as of May 2017, and Michael Parham as General Counsel.

Aligning the compensation of our management team with our overall corporate strategy and growth plans, our compensation program is substantially performance-based and aims to encourage the performance necessary to drive growth and profitability for RealNetworks. In general, the compensation provided to our named executive officers in 2017 was consistent with compensation in prior years. Nevertheless, all of the ongoing officers who were employed in 2016 have 2017 total compensation, as reported in the Summary Compensation Table that follows this Compensation Discussion and Analysis, that is lower than the total compensation reported for 2016. Further, the total compensation value provided to all of the named executive officers, again as reported in the Summary Compensation Table, was below the median value provided by peer group companies.

The compensation package for our only executive officer hired in 2017, Mr. Baker, was also in line with our new-hire compensation levels for business executives.

*Financial Results.* Our financial results for 2017 show momentum towards our strategic goals, with significant improvement in gross margin, stabilization of revenue, and a significant decline in operating expenses for the full year. Overall, our financial results reflect our efforts to advance key growth initiatives, enhance profitability, and improve our cost structure. Consolidated revenue decreased by 3% from 2016 when calculated in accordance with U.S. generally accepted accounting principles, or GAAP, which excludes revenue from discontinued operations. Gross profit increased by 3% over 2016, with gross margin improving year over year to 71% for fiscal year 2017. Operating expenses declined 18% over the prior year, and our net loss, which includes net loss from continuing operations and net income from discontinued operations, improved from a loss of \$36.6 million in 2016 to a loss of \$16.3 million in 2017. Adjusted EBITDA, which we define below, improved from a loss of \$23.2 million in 2016 to a loss of \$12.0 million in 2017, primarily as we focused on product launches and partnership opportunities, enhancing the scalability of our go-forward businesses, and improved overall efficiencies.

Our incentive bonus program for 2017, which was primarily based on achievement against target revenue and adjusted EBITDA or divisional contribution margin goals, paid out at a higher level than 2016 based on our 2017 financial results, which established a foundation for future growth and profitability.

*Management Team.* The executive compensation program is designed to aggressively drive company performance by encouraging successful execution of our growth plan and strategic initiatives. Given the turnover on the management team, however, there continues to be some level of year-over-year variation in executive compensation as different incentives have been required for recruitment and retention purposes.

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Our named executive officers for 2017 include the following executive officers:

|                         |   |
|-------------------------|---|
| Robert Glaser           | Founder, Chairman and Chief Executive Officer   |
| Cary Baker              | SVP, Chief Financial Officer and Treasurer ( <i>effective May 5, 2017</i> )   |
| Michael Parham          | SVP, General Counsel and Corporate Secretary  |
| Massimiliano Pellegrini | President, RealNetworks ( <i>Mr. Pellegrini was promoted from President, Mobile Services, effective February 1, 2018</i> )  |
| William Patrizio        | Former President, Consumer Media ( <i>Mr. Patrizio left the company during the first quarter of 2018 to become President and CEO of our affiliate, Rhapsody International, Inc. d/b/a Napster</i> ) |
| Marjorie Thomas         | Former SVP, Chief Financial Officer and Treasurer ( <i>through May 5, 2017</i> )  |

*Pay for Performance.* Our Compensation Committee supports a pay-for-performance philosophy, with the goal of having a substantial part of our executive compensation program consisting of performance-based compensation. This is reflected in our annual performance-based incentive bonus plan, which we also refer to as our Executive Bonus Plan, which provides eligible executives the opportunity to earn a bonus upon achieving pre-established performance objectives, all of which are weighted toward financial and strategic objectives of our businesses. In 2017, all of our named executive officers participated in the Executive Bonus Plan, although Ms. Thomas left RealNetworks during the year so was not eligible for a payout under the plan. Moreover, in a continuing effort to more closely align the interests of executives and shareholders and to conserve cash, the Compensation Committee determined that any payouts under the plan would be paid 50% in cash and 50% in the form of fully vested restricted stock units. The purpose of this structure was to preserve company cash and align the payment from the annual bonus plan with shareholder value.

Further in line with this pay-for-performance philosophy, since 2012, we have relied more on performance-related equity awards, as evidenced by the long-term performance-based option awards granted to Mr. Glaser in 2014, 2015 and 2016. These awards become eligible to vest only upon achievement of significant total shareholder return goals (subject to continued service with us). The performance-based option granted to Mr. Glaser in 2014 expired in 2017, unearned. In 2017, due to the stock price performance requirement inherent in stock options and the difficulty in determining appropriate total shareholder return goals, the Compensation Committee utilized a time-based option award for Mr. Glaser's 2017 long-term equity award, although the fair value of the 2017 award was lower than the 2016 option award.

Accordingly, actual compensation paid to our named executive officers varies with the company's performance in achieving financial and strategic objectives and the executive's individual performance. We believe that our emphasis on pay for performance provides appropriate incentive to our executives to achieve important business objectives of the company and better aligns the interests of our executives with that of our shareholders.

Please note that we define adjusted EBITDA as GAAP net income (loss) excluding the impact of the following: interest income (loss), income tax expense, gain on investments, equity in net loss of Rhapsody, depreciation and amortization, acquisitions-related intangible asset amortization, stock-based compensation, restructuring and other charges, and lease exit and related charges.

#### *2017 Compensation Highlights.*

Highlights relating to our named executive officers, generally:

Of our six named executive officers for 2017, one executive, Mr. Baker, was hired in May 2017, replacing Ms. Thomas as our Chief Financial Officer.

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Consistent with our overall focus on stabilizing our businesses and reducing our cost structure, there were no salary increases for our incumbent named executive officers during 2017.

In addition, 2017 incentive bonus payouts for named executive officers, except Mr. Patrizio, were below target levels. Mr. Pellegrini's 2017 incentive bonus was lower than the prior year, while Mr. Parham's 2017 incentive bonus was slightly higher than in the prior year. For Mr. Patrizio, his 2017 incentive bonus was at target, and flat with the prior year (on a prorated basis), in line with the performance of the Consumer Media business.

Payouts of 2017 incentive bonuses were made to the named executive officers 50% in cash and 50% in the form of fully vested RSUs rather than 100% in cash in an effort to conserve the company's cash and to more closely align the interests of executives with those of the company's shareholders.

Total compensation for the incumbent named executive officers was lower than in the prior year.

### Highlights relating to our CEO:

Our CEO's total compensation for 2017 was lower than in the prior year. Although his incentive bonus payout was slightly higher than last year, but well below target, his long-term equity award was lower than in 2016. Base salary was consistent year over year and was not high relative to peer companies as it was below the median of the peer group.

Of the total value of equity awards granted to our CEO in 2017, 11% was directly performance based as it related to the 2016 incentive bonus (which has been reported as 2016 compensation); 73% was a long-term equity award granted as a stock option scheduled to vest over four years but naturally performance-based because the option only provides value to the CEO if our stock price increases above the closing price on the grant date; and the remaining 16%, or \$150,000, was equity in the form of a stock option granted in lieu of cash salary for 2017, thus making a portion of his annual salary considerably more performance-based and less guaranteed than if his salary had been paid solely in cash. Notably, there was no premium added to the option value when replacing the cash salary (i.e., \$150,000 of salary for 2017 was granted as options in 2017). The company does not view the CEO's salary replacement options as long-term incentive compensation, therefore we view 100% of the CEO's equity compensation for 2017 as contingent on achieving a minimum stock price performance threshold.

Our CEO's total direct compensation for 2017 (comprised of salary, 2017 bonus, and equity awards, but excluding the 2016 bonus that was paid in a mix of cash and equity in early 2017) was below the median for peer group CEOs.

### **EXECUTIVE COMPENSATION PROGRAM PHILOSOPHY AND ELEMENTS**

The overall objectives of our executive compensation program are to provide compensation at competitive levels in order to recruit and retain talented executives, motivate our executives to achieve our strategic and financial objectives, and provide incentives to help align the interests of our executives with the interests of our shareholders.

Our executive compensation program provides the following three primary elements of compensation:

*Base salary.* Our named executive officers receive base salary so that we can recognize them for their day-to-day contributions and provide competitive pay that encourages retention and recruitment.

*Annual performance-based incentive bonus.* We establish a performance-based incentive bonus plan on an annual basis, under which our named executive officers each have an opportunity to receive a bonus, typically paid in cash (although this was not the case for 2017), upon achievement of certain performance objectives derived from the internal strategic plan we establish for the company each year. The bonuses are intended to motivate our executives to achieve our financial and strategic objectives. These bonuses are not guaranteed.



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Bonuses in 2017 were below the target opportunity provided to each eligible named executive officer except Mr. Patrizio. Moreover, 2017 bonuses were paid 50% in cash and 50% in the form of fully vested RSUs, exhibiting discipline from a cash management perspective and a desire to more closely align executives' interests with shareholders.

Although a portion of the 2017 bonus was paid in the form of fully vested RSUs, these equity awards were not considered to be equity compensation from the company's perspective as they were essentially cash-equivalent payments made pursuant to the Executive Bonus Plan. Further, although the grants that relate to the 2016 Executive Bonus Plan are reported in the *2017 Grants of Plan-Based Awards* table that follows this Compensation Discussion and Analysis, the value of those awards is not included in 2017 total compensation for our named executive officers as it was more appropriately included in 2016 total compensation.

*Long-term equity compensation.* We provide equity-based compensation to our named executive officers to better align their interests with the interests of our shareholders as well as to motivate our officers to enhance the long-term performance of RealNetworks. Equity awards also are an important retention tool for us because the awards typically vest over a multi-year period. Other than our CEO and our newly hired executive, none of our named executive officers received a long-term equity award in 2017; the shareholder-approved option exchange program that was completed in December 2016 served to refresh the equity holdings of our employees worldwide, including our executive officers (except Mr. Glaser, as he was ineligible to participate). Mr. Baker, our most recently hired executive, received a long-term inducement award upon his hire in May 2017. Mr. Glaser's 2017 long-term equity award was an option to purchase 400,000 shares that vests over the four-year period following the grant date, with 25% vesting on the one-year anniversary and 12.5% every six months thereafter, subject to continued service to the company on each vesting date. Mr. Glaser also received an option award in 2017 to acquire 63,675 shares that was granted in lieu of \$150,000 of cash salary; the company does not view this salary replacement option as part of Mr. Glaser's long-term equity compensation.

These elements provide incentives to encourage our executives to appropriately balance their focus between our short-term and long-term strategic goals.

We believe that there are multiple, dynamic factors that contribute to the success of our businesses and the individuals that lead those businesses. Moreover, we recognize that our business and the industry in which we operate are constantly evolving and highly competitive in nature. Our approach to executive compensation, therefore, has been to avoid adopting a strict, formulaic structure and to instead allow for a more nuanced and customized system. Under our executive compensation program, we consider the needs of our businesses and our company as a whole; design various elements of compensation to drive our executives and their teams to meet or exceed company goals and objectives; and take into account competitive practices in order to achieve our recruiting and retention needs. Consistent with our desire to maintain competitive practices and achieve our recruiting and retention goals, in addition to our three primary elements of compensation, our executive compensation packages also contain certain severance and change in control arrangements; some targeted, one-time bonuses; and retirement and other generally available, broad-based benefits. In general, we provide very limited executive perquisites, and we do not provide our executives with tax gross ups or supplemental retirement plans.

**EXECUTIVE COMPENSATION DECISION-MAKING PROCESS**

*The Roles of our Board, Compensation Committee and Chief Executive Officer.* Our Compensation Committee's purpose is to discharge the Board of Director's responsibilities relating to the compensation of our executive officers

and the adoption of policies that govern our compensation and benefit programs, other than with respect to our chief executive officer's compensation. Our Compensation Committee reviews and recommends the chief executive officer's compensation, which is subject to the approval of the Board. The Board is able to make any adjustments that it may determine are appropriate with respect to our chief executive

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officer's compensation. The Compensation Committee determines all compensation for our other named executive officers. At the invitation of our Compensation Committee, our chief executive officer provides input regarding the performance and appropriate compensation of the other named executive officers. The Compensation Committee gives considerable weight to the chief executive officer's assessment of the other named executive officers because of his direct knowledge of each executive's role, performance and contributions. During 2017, our chief executive officer attended all Compensation Committee meetings at the request of the Committee. However, no executive officer was present for the portion of a Compensation Committee meeting during which his or her own compensation was discussed or determined.

*The Role of the Compensation Consultant.* Our Compensation Committee has selected and directly retains the services of Frederic W. Cook & Co., Inc., an independent executive compensation consulting firm. F.W. Cook does not provide any other services to RealNetworks and works with our management only on matters for which the Compensation Committee is responsible. The Compensation Committee has assessed the independence of F.W. Cook pursuant to SEC rules and concluded that no conflict of interest exists that would prevent F.W. Cook from serving as an independent consultant to the Compensation Committee. The Compensation Committee periodically seeks input from F.W. Cook on a range of external market factors, including evolving compensation trends, appropriate peer companies and market survey data. F.W. Cook also provides general observations on our compensation programs, but it does not determine or recommend the amount or form of compensation for our named executive officers. A representative of F.W. Cook attends Compensation Committee meetings from time to time, when requested by the Compensation Committee.

*The Role of Peer Groups and Surveys.* In early 2016, with the oversight of our Compensation Committee, F.W. Cook performed an executive compensation review that included identifying a peer group of companies (the 2016 Peer Group) to be used by us for the purpose of comparing our executive compensation to the market. This 2016 market analysis was used by the Compensation Committee to evaluate 2016 and 2017 executive compensation levels, including long-term equity incentive compensation. The potential impact of our shareholder-approved option exchange program that closed on December 6, 2016 was also considered in the Compensation Committee's approach to long-term equity incentive compensation for the executive team.

The 22 companies in the 2016 Peer Group are publicly traded, U.S.-based software and media content companies, and were selected to reflect our smaller size following organizational changes around that time and, in our view, were competitors of ours for purposes of recruiting executive talent. The companies comprising the 2016 Peer Group are:

|                       |                               |                               |
|-----------------------|-------------------------------|-------------------------------|
| Angie's List, Inc.    | eGain                         | Rosetta Stone Inc.            |
| Autobyte Inc.         | Glu Mobile                    | SeaChange International, Inc. |
| Avid Technology, Inc. | Harmonic Inc.                 | Spark Networks, Inc.          |
| Blucora, Inc.         | Leaf Group (fka Demand Media) | TechTarget, Inc.              |
| Blue Nile, Inc.       | Limelight Networks, Inc.      | Travelzoo Inc.                |
| Brightcove Inc.       | Marchex, Inc.                 | United Online, Inc.           |
| Carbonite, Inc.       | QuinStreet, Inc.              | XO Group Inc.                 |
| DHI Group             |                               |                               |

The 2016 Peer Group includes seven of the companies that had been included in our last peer group, which was established in October 2013 and updated in October 2014, however, most of the prior peer group companies were removed due to strategic transactions at those companies that caused them to no longer meet our threshold requirements for the peer group (e.g., becoming privately held, or merging into other organizations) or because those companies moved either above or below a comparable market capitalization, recognizing that RealNetworks' market

capitalization has declined over the past several years.

In February 2018, our Compensation Committee engaged F.W. Cook to review our peer group. Considering that four of the companies in the 2016 Peer Group have been acquired or become privately held, and others may no longer be appropriate for comparison based on market capitalization, we expect that a new peer group will be

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established by our Compensation Committee, upon recommendation of F.W. Cook, for purposes of evaluating our 2018 executive compensation program.

We consider multiple data sources for assessing our compensation practices. Although we consider competitive market data regarding compensation in order to achieve our goals to recruit and retain our executives, we do not attempt to maintain a certain target percentile within a peer group, nor do we rely solely on such market data. Our management and the Compensation Committee strive to incorporate flexibility into our compensation programs and the assessment process so that we are able to respond to and adjust for the evolving business environment and the value delivered by our named executive officers. In addition to competitive data, we may take into account a variety of other factors, for example, general market conditions, internal equity, an individual's level of responsibilities, as well as an individual's recent or future expected contributions.

*Consideration of Say-on-Pay Vote Results.* We provide our shareholders with the opportunity to cast an annual advisory vote on executive compensation. At our 2017 annual meeting of shareholders, which took place in September 2017, our shareholders approved the compensation of our named executive officers as disclosed in our 2017 proxy statement by a vote of approximately 98% of the votes cast on the proposal. By the time that this vote was conducted, most of the decisions relating to the 2017 compensation of our executive officers had been made. More influential to 2017 compensation decision making was the 85% support of shareholders at the 2016 annual meeting. We highly value the input of our shareholders, and, the Compensation Committee, with input from F.W. Cook, has carefully considered the results of the 2017 say-on-pay vote and has engaged in discussions regarding shareholder outreach efforts. The Compensation Committee will continue to consider the results of the annual say-on-pay vote and specific shareholder input in determining 2018 and future compensation programs for our executive officers.

**2017 COMPENSATION***Chief Executive Officer Compensation*

Upon recommendation of the Compensation Committee as advised by F.W. Cook and after considering the company's compensation strategy, internal factors, competitive factors and applicable regulatory requirements, Mr. Glaser's compensation for 2017 was consistent with the compensation package structure that he has had since returning to the CEO role in July 2014. For 2017, Mr. Glaser's compensation package included (i) an annualized base salary of \$450,000, which was supplemented with \$150,000 worth of stock options; (ii) an annual incentive bonus opportunity equal to 100% of his annual cash base salary, payable upon the achievement of certain performance objectives set by the Board; (iii) a long-term equity award; (iv) severance arrangements as more fully described below; (v) certain perquisites, which for 2017 included facilities-related costs attributable to his personal assistant; and (vi) generally available employee benefits.

The annualized total compensation value targeted by the Compensation Committee for Mr. Glaser, assuming all bonus goals were achieved, was below the median for peer chief executives in F.W. Cook's 2016 executive compensation review, and Mr. Glaser's actual 2017 compensation was also below the median of the total compensation for chief executive officers in the 2016 Peer Group companies. Mr. Glaser's 2017 equity compensation was fully performance based, with a long-term option covering 400,000 shares vesting over the four-year period following grant, and an option award to acquire 63,675 shares that was issued in lieu of \$150,000 of cash salary. In 2017, Mr. Glaser also received a fully vested RSU award that was paid in lieu of cash pursuant to the 2016 incentive bonus plan and, therefore, which we consider to be part of his total 2016 compensation package. The 2017 incentive bonus was paid, 50% in cash and 50% in the form of fully vested RSUs, during the first quarter of 2018.

*Salary Options.* Although Mr. Glaser's intended base salary value was \$600,000, consistent with prior years, the Compensation Committee determined that part of Mr. Glaser's base salary would be provided as a stock option because the Compensation Committee believed that a higher proportion of his compensation should

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be related to the company's performance. The stock option in lieu of salary for 2017, granted on January 26, 2017, covered 63,675 shares of our common stock with an exercise price equal to \$5.40 per share, which was the closing price of our common stock on the date of grant, and because these were in lieu of a portion of annual 2017 salary, the salary replacement option vested ratably each month over the year until fully vested as of December 31, 2017, subject to Mr. Glaser's continued employment with us through each such vesting date. This salary replacement option was granted pursuant to the 2005 Stock Incentive Plan, or 2005 Plan. In December 2017, the Board determined that, beginning in 2018, the value of the salary replacement option would be decreased by \$75,000 with a reciprocal increase in the cash portion of Mr. Glaser's annual base salary.

*Annual Performance-Based Incentive Bonus.* The Board determined that Mr. Glaser would be eligible to participate in the 2017 Executive Bonus Plan, which is discussed in further detail below. His target bonus opportunity was equal to 100% of his cash base salary, based upon achievement of pre-established company revenue and adjusted EBITDA goals and strategic goals, all of which are set forth in the discussion below. At the time of adoption of the 2017 Executive Bonus Plan, the Compensation Committee determined that any bonuses approved pursuant to the plan would likely be paid to executives 50% in cash and 50% in the form of fully vested RSUs. Accordingly, during the first quarter of 2018, the Board approved a bonus for Mr. Glaser, pursuant to the 2017 Executive Bonus Plan, equal to \$274,500 or 61% of his annual cash base salary, \$137,250 of which was payable in cash and \$137,250 of which was payable in a number of fully vested RSUs calculated using the closing price of the company's common stock on The Nasdaq Stock Market on February 28, 2018. The incentive bonus payout was higher than in the prior year because, as discussed in more detail below, the 2017 revenue goal, which comprised 25% of the bonus opportunity, was achieved (at 100% attainment) and the strategic goals, which comprised 50% of the bonus opportunity, were deemed achieved in large part (at 72% attainment) by the Board and Compensation Committee.

*Long-Term Equity Award.* On December 15, 2017, the Board, upon recommendation of the Compensation Committee, granted to Mr. Glaser a long-term option to purchase 400,000 shares of our common stock at an exercise price per share equal to \$3.94, the closing price of our common stock on the grant date. The Compensation Committee viewed this as the annual portion of the equity award, with (i) the 2017 salary replacement option and (ii) the fully vested RSUs awarded in lieu of cash as payment of his 2016 incentive bonus, comprising the rest of his total 2017 equity awards. The 2017 long-term option is scheduled to vest over four years, with 25% vesting on the one-year anniversary of the grant date and 12.5% vesting every six months thereafter, subject to Mr. Glaser's continued employment with us through each such vesting date. The option is exercisable for up to seven years from the grant date, unless earlier terminated, and was granted pursuant to the 2005 Plan.

Mr. Glaser's long-term incentive value for 2017, excluding the salary replacement option and 2016 incentive bonus equity, was lower, in terms of dollar value, than in 2016, and was below the peer median. The Board's goal in awarding this long-term equity was to provide strong incentive for Mr. Glaser to strategically drive the company toward its goals of growth and profitability, resulting in an increased stock price and, thus, higher value for shareholders. The Compensation Committee's view is that Mr. Glaser's annual equity was 100% performance-based, since the long-term option requires an increase in stock price from the grant date in order to provide any value to Mr. Glaser.

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The following table shows equity awards granted to Mr. Glaser in 2017, 2016 and 2015 based on the grant date fair value:

|      | Annual Equity Awards             |                           |                           | Grants<br>Outside<br>the<br>Annual<br>Equity<br>Award | Total<br>Equity<br>Awards |
|------|----------------------------------|---------------------------|---------------------------|---|---------------------------|
|      | Performance-<br>based<br>Options | Time-<br>based<br>Options | Total<br>Annual<br>Equity | Current Year<br>Salary<br>Options                     |                           |
| 2017 | \$                               | \$ 688,520                | <b>\$ 688,520</b>         | \$ 150,000  | <b>\$ 838,520</b>         |
| 2016 | \$ 852,000                       | \$                        | <b>\$ 852,000</b>         | \$ 150,000  | <b>\$ 1,002,000</b>       |
| 2015 | \$ 268,000                       | \$                        | <b>\$ 268,000</b>         | \$ 150,000  | <b>\$ 418,000</b>         |

(1) Also in 2017, Mr. Glaser was awarded 20,920 fully vested RSUs as full payment of his 2016 incentive bonus. As described above, the incentive bonus has historically been paid in cash, however, for cash management purposes, the 2016 incentive bonus awards were paid to executives, including Mr. Glaser, 50% in cash and 50% in the form of fully vested RSUs. The 2017 incentive bonuses were also paid 50% in cash and 50% in the form of fully vested RSUs, such payout taking place during the first quarter of 2018. Even though paid in part in equity, the Board of Directors does not consider equity awarded in connection with the executive bonus program to be part of an executive's equity compensation.

*Stock Ownership.* While he serves as our chief executive officer, Mr. Glaser is expected to hold shares of our common stock equal to at least ten times his annual base salary. Mr. Glaser continued to meet this stock ownership threshold for fiscal year 2017.

*Overall CEO Compensation Package.* Our Board of Directors and our Compensation Committee believe that the 2017 compensation arrangements for Mr. Glaser were appropriate, in particular given that a significant portion, just over 62%, of the value of his 2017 compensation is equity-based, with over 70% of that requiring an increase in our stock price in order for Mr. Glaser to realize any value. The 2017 compensation package for Mr. Glaser resulted in total direct compensation below the median for the 2016 Peer Group.

*Base Salaries*

Base salaries for our named executive officers are determined for each executive based on position, responsibility, experience and competitive market data. Base salaries are adjusted from time to time to recognize various levels of responsibility, promotions, individual performance, market conditions and internal equity issues. Rather than applying a formulaic approach, the Compensation Committee awards base salaries for our named executive officers within the context of our overall merit increase system considering level of responsibility, individual performance, market competitive factors, and the critical role of the executive in our future growth and strategy. The base salaries for our named executive officers were evaluated against data generated by F.W. Cook in its 2016 review. As a result of that assessment and other factors, the 2017 base salaries of our incumbent named executive officers were unchanged from 2016.



During the first quarter of 2018, the Compensation Committee approved a new annual base salary for Mr. Pellegrini of \$450,000 in connection with his promotion to President of RealNetworks, effective February 1, 2018, and to recognize his increased responsibilities and authority in his new role.

*Annual Performance-Based Incentive Bonuses*

In April 2017, the Compensation Committee established our 2017 Executive Bonus Plan, which is our performance-based incentive bonus program, in order to motivate and reward an individual's annual contribution

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to company performance. The Executive Bonus Plan is administered pursuant to the 2005 Plan. The Executive Bonus Plan pays an annual bonus, historically in the form of cash, to executives based on the achievement of pre-established financial and strategic objectives consistent with our internal strategic plan previously established by the Board in consultation with management.

Continuing our commitment to conserve cash resources and to include an additional performance component to the bonus program, the Compensation Committee determined that the payouts approved under the 2017 Executive Bonus Plan would be paid only 50% in cash, with the remaining 50% paid in the form of fully vested RSUs. A similar approach was taken with regard to the 2016 bonus payouts and, in 2015, 100% of the bonus was paid in equity. Because incentive bonuses have historically been paid only in cash, the Compensation Committee considers payouts under the incentive bonus program to be part of the cash compensation package for executives. There has been no determination by the Compensation Committee as to what form future payouts under the incentive bonus program will take. Accordingly, for purposes of this Compensation Discussion and Analysis and the compensation tables that follow, we report bonus payouts, whether in cash or in the form of fully vested equity, in the year in which the bonus is earned rather than the year in which it is paid, and we do not consider these bonus equity grants to be part of an executive's equity compensation.

Each of our named executive officers was eligible to participate in the 2017 Executive Bonus Plan. Mr. Glaser had a target bonus opportunity equal to 100% of his annual cash base salary and each of the other executives had a target bonus opportunity equal to 75% of his or her annual base salary. The Compensation Committee reviewed the targets and deemed them appropriate based on internal equity considerations and the desire to emphasize teamwork to achieve the company's performance objectives.

The following elements were applicable to our 2017 Executive Bonus Plan:

*Performance Criteria* The performance criteria used to determine the annual bonuses for the participating named executive officers were revenue and adjusted EBITDA for corporate results or contribution margin by reportable segment for divisional results, depending upon whether the executive had divisional responsibility. The Compensation Committee's philosophy is to establish performance goals for executives that reflect our strategy of producing financial results that (a) are in the interests of our company and shareholders, (b) have a degree of difficulty that the Compensation Committee considers to be challenging but achievable with significant effort and skill, and (c) require a high level of financial performance in the context of the present state of our business and the annual budget.

Consistent with this strategy, the Compensation Committee established revenue as a performance metric under the 2017 Executive Bonus Plan because it was a key element of our 2017 business plan and we consider revenue to be a key driver of our growth and success. The Compensation Committee also established adjusted EBITDA/contribution margin as a performance metric under the 2017 Executive Bonus Plan in order to reward our executives for maintaining fiscal responsibility, implementing our cost reduction program, and achieving short-term profitability and therefore, like revenue, aligning the interests of plan participants with those of the company and its shareholders. Performance criteria for our named executive officers also included non-financial strategic goals intended to motivate each executive and the executive team as a whole to accomplish specific goals that would drive our growth and strong financial performance.

The following table indicates the 2017 performance goals for each named executive officer who participated in the 2017 Executive Bonus Plan, as well as the weightings of the goals. Note that for 2017 the revenue, adjusted EBITDA and contribution margin goals include the results of the low-margin music on demand business that we exited at the

end of 2017. In accordance with U.S. GAAP, the results from this business are reported as discontinued operations in our 2017 financial statements; however, early in 2017, when the financial goals for our executive bonus plan were established, the results from this business were included in our budget and

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forecast and, accordingly, the bonus goals were established and assessed based on results that included this terminated business:

|  |                                  | <b>Adjusted</b>                                  |   |
|--|----------------------------------|--|---|
|  |                                  | <b>EBITDA or</b>                                 |   |
|  |                                  | <b>Contribution</b>                              | <b>Strategic</b>  |
|  | <b>Revenue Goals</b>             | <b>Margin Goals</b>                              | <b>Goals</b>  |
|  | <b>25%</b>                       | <b>25%</b>                                       | <b>50%</b>  |
| <b>Corporate executives revenue and adjusted EBITDA goals are based on company-wide results</b>  |                                  |  |   |
| Rob Glaser   | Company Revenue                  | Company Adjusted EBITDA (1)                      | <i>Shared goals among corporate executives and individual goals relating to: development of growth initiatives, supporting business unit growth strategies, managing cost structure efficiencies, and solidifying leadership teams</i>              |
| Cary Baker   | Company Revenue                  | Company Adjusted EBITDA (1)                      |   |
| Michael Parham   | Company Revenue                  | Company Adjusted EBITDA (1)                      |   |
| <b>Business executives revenue and contribution margin goals are based on divisional results</b> |                                  |  |   |
| Bill Patrizio  | Consumer Media Division Revenue  | Consumer Media Division Contribution Margin (2)  | <i>Shared goal of business executives and individual goals relating to: developing divisional growth initiatives, enhancing business unit growth strategy, improving divisional cost structure, and managing recruitment and leadership efforts</i> |
| Max Pellegrini   | Mobile Services Division Revenue | Mobile Services Division Contribution Margin (2) |   |

(1) Adjusted EBITDA is a non-GAAP financial measure used by RealNetworks management in reporting financial results and is defined by the company as GAAP net income (loss) excluding the impact of the following: interest income (loss), income tax expense, gain on investments, equity in net loss of Rhapsody, depreciation and amortization, acquisitions-related intangible asset amortization, stock-based compensation, restructuring and other charges, and lease exit and related charges.

(2) Contribution margin by reportable segment is a non-GAAP financial measure used by RealNetworks management, beginning in 2016, in reporting financial results and is defined by the company as operating income (loss) plus other income (expense) net, but excluding depreciation and amortization, acquisitions-related intangible asset amortization, stock-based compensation, restructuring and other charges, and lease exit and related charges.

**Performance Targets and Actual Performance** Target performance goals for the financial criteria were set based on objectives in our internal strategic plan for 2017. The strategic plan for 2017 served as the basis for company revenue and adjusted EBITDA targets and for Mobile Services and Consumer Media divisional revenue and contribution margin targets under the Executive Bonus Plan. The following table shows the

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target and actual revenue and adjusted EBITDA/contribution margin goals that applied to each named executive officer (as noted in parentheses):

|   | Target*    | 2017 Actual * |
|---|------------|---------------|
| <b>Revenue Goals:</b>                                     |            |               |
| Company Revenue (Glaser, Baker, Parham)                   | \$ 121.37M | \$ 124.75M    |
| Mobile Services Division Revenue (Pellegrini)             | \$ 68.49M  | \$ 76.79M     |
| Consumer Media Division Revenue (Patrizio)                | \$ 22.92M  | \$ 22.57M     |
| <b>Adjusted EBITDA or Contribution Margin Goals:</b>      |            |               |
| Company Adjusted EBITDA (Glaser, Baker, Parham)           | (\$ 6.48M) | (\$ 9.60M)    |
| Mobile Services Division Contribution Margin (Pellegrini) | \$ 3.24M   | (\$ 1.79M)    |
| Consumer Media Division Contribution Margin (Patrizio)    | \$ 5.40M   | \$ 5.44M      |

\* As noted above, for 2017 the revenue, adjusted EBITDA and contribution margin goals include the results of the low-margin music on demand business that we exited at the end of 2017. In accordance with U.S.

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GAAP, the results from this business are reported as discontinued operations in our 2017 financial statements. Early in 2017, however, when the financial goals for our executive bonus plan were established, the results from this business were included in our budget and forecast and, accordingly, the bonus goals were established and assessed based on results that included this terminated business. The results from discontinued operations relating to this business are set forth in Note 16 to the company's financial statements for the fiscal year ended December 31, 2017, which are included in the Annual Report on Form 10-K filed with the SEC on February 27, 2018.

Actual performance against the strategic goals set for 2017 was assessed for each executive during the first quarter of 2018. The Compensation Committee determined that the strategic goals, which comprised 50% of total bonus opportunity, were achieved at 72% attainment for Mr. Glaser, 75% for Mr. Baker, 87% for Mr. Parham, 100% for Mr. Patrizio, and 60% for Mr. Pellegrini. The bonus payouts for all named executive officers was purely formulaic, based upon the achievement level.

*Payout Structure* The overall payout structure ensured that there was no ability for participants in the 2017 Executive Bonus Plan to earn awards greater than target for adjusted EBITDA/contribution margin or revenue performance unless revenue or adjusted EBITDA/contribution margin performance, respectively, was at least at target, the rationale for which was to emphasize the need for both growth and operational discipline.

The payout mechanics of the 2017 Executive Bonus Plan based on financial metrics were as follows:

| <b>Revenue</b>    |                            |
|-------------------|----------------------------|
| <b>Attainment</b> | <b>Incentive Payout(1)</b> |
| <90%              | No payout                  |
| 90% - 100%        | 50 - 100%                  |
| 100% - 120%+      | 100% - 200%                |

| <b>Adjusted EBITDA or Contribution Margin</b> |                            |
|---|----------------------------|
| <b>Attainment</b>                             | <b>Incentive Payout(2)</b> |
| >\$2M below budget                            | No payout                  |
| \$2M below, up to budget                      | 50 - 100%                  |
| Budget to >\$2M above                         | 100% - 200%                |

(1) Payout based on revenue goals was capped at 100% unless the adjusted EBITDA attainment/contribution margin reached 100%.

(2) Payout based on adjusted EBITDA/contribution margin goals was capped at 100% unless the revenue attainment reached 100%.

The 2017 Executive Bonus Plan included a discretionary modifier to adjust the calculated payout for an individual executive officer upward or downward by up to 25%, based on such factors as shareholder value creation, revenue growth, cash flow generation, use of capital, or other considerations that the Compensation Committee deemed relevant. Notwithstanding the performance and payout targets established under the 2017 Executive Bonus Plan, the

Compensation Committee reserved the right to adjust performance and payout targets based on acquisitions or dispositions of assets and also decrease or eliminate an executive officer's award before it was paid. Executive officers were required to be employed on the date award payments were made in order to be eligible to receive payment under the 2017 Executive Bonus Plan, except in the case of death or disability.

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The dollar-equivalent payouts earned for performance under the 2017 Executive Bonus Plan were as follows:

| Name           | Target %<br>Payout under<br>2017 Executive<br>Bonus Plan<br><br>(as a percentage of base salary) | Actual %<br>Payout under<br>2016 Executive<br>Bonus Plan<br><br>(as a percentage of base salary) | Actual \$ Payout<br>under<br>2017<br>Executive<br>Bonus<br>Plan(1) |
|----------------|--|--|--|
| Rob Glaser     | 100%   | 61%  | \$ 274,500   |
| Cary Baker     | 75%  | 47% (2)  | \$ 101,563   |
| Michael Parham | 75%  | 51%  | \$ 154,125   |
| Bill Patrizio  | 75%  | 75%  | \$ 300,000   |
| Max Pellegrini | 75%  | 41%  | \$ 165,600   |

(1) Payouts were made 50% in cash and 50% in the form of fully vested RSUs, with Mr. Glaser being granted 49,370 RSUs, Mr. Baker 18,266 RSUs, Mr. Parham 27,720 RSUs, Mr. Patrizio 53,956 RSUs, and Mr. Pellegrini 29,784 RSUs. Dollar values reported are equal to the total cash paid plus the grant date fair value of the RSUs awarded.

(2) Because Mr. Baker joined the company in May 2017, this percentage is calculated based on the actual, prorated cash salary earned in 2017.

During the first quarter of 2018, the Compensation Committee approved a 2018 bonus opportunity of 100% of annual base salary for Mr. Pellegrini in connection with his promotion to President of RealNetworks, effective February 1, 2018.

*Special Cash Bonus Awards*

From time to time, we utilize discretionary signing, promotion, retention or other bonus awards as compensation tools that provide incentives for executives to accept employment offers, to reward outstanding performance by executives and to retain key executives. We believe that these bonus awards are consistent with our overall executive compensation philosophy to achieve our recruiting and retention objectives as well as to allow discretion to address the needs of our businesses, which operate in a constantly evolving and highly competitive environment.

*Signing Bonus.* Pursuant to our offer letter to Mr. Baker, dated March 29, 2017, he was paid a signing bonus of \$100,000, subject to repayment in full if he voluntarily leaves his employment with RealNetworks other than for good reason (as defined in the offer letter) within 12 months of his start date. The Compensation Committee believed that this signing bonus was necessary to recruit Mr. Baker to the company.

*The Role of Long-Term Equity Awards*

Because the value of an equity award is dependent on our stock price, our equity compensation program is designed to align executive compensation with the interests of our shareholders and also with the long-term performance of RealNetworks. Equity compensation awards are also an important employee retention tool as they generally vest over a multi-year period, subject to continued service by the award recipient.



Consistent with the past several years, awards of stock options served as our primary equity vehicle for the 2017 executive compensation program. The rationale for this is to motivate executives to focus on increasing shareholder value.

*2017 Option Awards.* On May 11, 2017 the Compensation Committee granted a time-based stock option to Mr. Baker, in connection with the commencement of his employment with us, to acquire 200,000 shares of common stock with a per share exercise price equal to \$4.29, the closing price of a share of our common stock on the grant date. The option is scheduled to vest over four years, with 25% vesting on the one-year anniversary of the grant date, subject to continued employment, then as to an additional 12.5% at the expiration of each

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successive six months of continued employment. This award is larger than a typical annual award for the role and includes an inducement portion to attract and align, which is not expected to be continued at the same level in the future. The Compensation Committee believed that the award was appropriate as part of the compensation package necessary to recruit Mr. Baker to the company.

No option awards were granted to Messrs. Parham, Patrizio or Pellegrini in 2017.

On March 7, 2018, in connection with his promotion to President of RealNetworks, the Compensation Committee granted a time-based stock option to Mr. Pellegrini to acquire 500,000 shares of common stock with a per share exercise price equal to \$3.43, the closing price of a share of our common stock on the grant date. The option is scheduled to vest over four years, with 12.5% vesting on the date that is six months after the grant date, subject to continued employment, then as to an additional 12.5% at the expiration of each successive six months of continued employment. This award is larger than a typical annual award for the role and includes an inducement to take on the enhanced leadership role, which is not expected to be continued at the same level in the future. The Compensation Committee believed that the award was appropriate as part of the compensation package to recognize Mr. Pellegrini's promotion and increased responsibilities.

See the section entitled *Chief Executive Officer Compensation* for a discussion of Mr. Glaser's 2017 option awards. As discussed, he was granted an option valued at \$150,000 in 2017 as a supplement to his cash salary, plus a long-term option that is scheduled to vest over four years. The option granted in December 2017 reflected the annual long-term incentive portion of Mr. Glaser's 2017 compensation.

*2017 Restricted Stock Units Awards.* In March 2017, each of our named executive officers was granted a number of fully vested RSUs as partial payment of the incentive bonuses approved pursuant to the 2016 Executive Bonus Plan. These RSU awards were solely related to performance by the executives in 2016 and, accordingly, the cash value of these awards was reported as compensation in the 2016 Compensation Discussion and Analysis and related compensation tables. Because these awards were granted in 2017, although for service in 2016, they are reported in the 2017 Grants of Plan-Based Awards table that follows this discussion. However, for purposes of describing and analyzing 2017 compensation, these awards are not included; instead, this 2017 Compensation Discussion and Analysis includes a discussion of the payouts approved pursuant to the 2017 Executive Bonus Plan even though the cash paid and RSUs granted that comprise these payouts were made in February of 2018. See the section under this Compensation Discussion and Analysis entitled 2017 Compensation Annual Performance-Based Incentive Bonuses.

*Benefits, Perquisites, Severance and Certain Benefits in Connection with a Change in Control*

*Benefits.* Benefits are part of a competitive compensation package to attract and retain employees, including executives. Our executive officers are eligible to participate in all of the benefit programs offered to employees in the geographic region in which their customary employment is based. These programs include medical, dental, vision, group life and disability insurance, a medical reimbursement plan, a transportation subsidy and an employee stock purchase plan that permits employees to purchase our common stock at a 15% discount from the closing sale price of our common stock as reported on The Nasdaq Stock Market on the last trading day of each offering period.

Our employees, including our named executive officers, are also eligible to participate in our 401(k) savings plan, a tax-qualified retirement savings plan pursuant to which all U.S.-based employees are able to contribute the lesser of up to 50% of their cash compensation (including base salary, bonuses, commissions and overtime pay) or the limit prescribed by the Internal Revenue Service to the plan on a before-tax basis. RealNetworks will match 50% of the first 3% of pay that is contributed to the 401(k) savings plan. All employee contributions to the 401(k) savings plan are fully vested upon contribution. Matching contributions by RealNetworks become fully vested after three years, or

earlier upon attainment of retirement age (as defined by the plan) or death or disability while still employed by RealNetworks. Our executive officers are eligible to participate in the benefit programs described above on the same basis as our other employees.

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*Perquisites.* We may offer other benefits to our employees and executive officers from time to time, including relocation packages, which benefits are typically offered to help us compete more effectively to attract or retain an executive officer. When hiring new executives, we may offer relocation benefits that are typically subject to prorated repayment if the executive voluntarily leaves his or her employment with RealNetworks other than for good reason (as defined in the offer letter) within 12 months of his or her start date. In 2017, for Mr. Glaser, we imputed the \$6,664 in costs associated with the occupancy of office space and parking in our headquarters building by Mr. Glaser's personal assistant; for Mr. Baker, we reimbursed \$30,575 for relocation costs pursuant to the terms of his offer letter; and for Mr. Pellegrini, we reimbursed \$5,094 of travel benefits in accordance with a provision in his offer letter, which such benefits were negotiated at the time of his hire. All of these amounts have been reported as taxable income to the respective executive and reported in the *Summary Compensation Table* that follows this discussion. Relocation benefits are subject to prorated repayment if the executive voluntarily leaves his employment with RealNetworks other than for good reason (as defined in the offer letter) within 12 months of his relocation. There were no other special benefits or perquisites provided to any other named executive officer in 2017.

*Severance Benefits.* We have entered into arrangements with each of our named executive officers pursuant to which the executive may become entitled to receive severance benefits upon a qualifying termination of employment. Additionally, Mr. Glaser's arrangements provide that if his employment terminates, but Mr. Glaser remains as Chairman of the Board, then he will remain eligible to participate in our group health plans or we may provide him with an annual cash payment equivalent to our premium cost for his participation in our group health plan. The terms of the severance benefits that each named executive officer is eligible to receive were negotiated with the executive at the time of his or her hire. The Compensation Committee believes that these severance benefits are appropriate in order to provide competitive compensation and enable the company to recruit and retain talented executives.

*Severance and Change in Control Benefits.* We entered into a severance agreement with Mr. Glaser pursuant to which he is eligible to receive certain severance benefits upon a qualifying termination in connection with a change in control. With all of our other named executive officers, we have agreed to "double-trigger" change in control and severance arrangements (the "CIC Agreements"). These agreements were entered into in order to encourage the retention and commitment of these executives during times of leadership transition and restructuring activities. Each of our executives has entered into a CIC Agreement in connection with his or her hire, or promotion. The Compensation Committee may request F.W. Cook to review peer practices and market data with respect to change in control and severance practices. The Compensation Committee last reviewed our change in control severance practices as compared to our peers, including the results of a study of peer practices compiled by F.W. Cook in August 2012 and determined that our practices in this regard were in line with those of our peers.

Our CIC Agreements provide for severance benefits if the employment of the executive is terminated without cause or such executive resigns for good reason (as such terms are defined in the CIC Agreement) during the period beginning three months prior to a change in control of the company and ending 12 months after the change in control. In addition, under our equity incentive plans, our executive officers may be eligible to receive certain benefits with respect to outstanding awards granted under our equity incentive plans in the event of a change in control of RealNetworks. A change in control of a corporation is often accompanied by changes in the corporate culture and job losses due to redundancy, especially at the executive levels. If a change in control of RealNetworks were under consideration, we expect that our executives could be faced with personal uncertainties and distractions about how the transaction may affect their continued employment with us. By granting awards under our equity incentive plans that include change in control benefits before any such transaction is contemplated, we hope to focus our executive's full attention and dedication to our shareholders' best interests in the event of a threatened or pending change in control, and to encourage the executive to remain employed by RealNetworks through the completion of any such transaction.

The severance and change in control arrangements are described in further detail in the section below entitled, *2017 Potential Payments Upon Termination of Employment of Change-in-Control*.

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### *Tax and Accounting Implications*

*Deductibility of Executive Compensation.* Section 162(m) of the Internal Revenue Code of 1986 generally limits the federal corporate income tax deduction for compensation paid by a public company to its chief executive officer and certain other executive officers to \$1 million in the year the compensation becomes taxable to the executive, unless the compensation is performance-based compensation or qualifies under certain other exceptions.

The Tax Cuts and Jobs Act (the Act), which was enacted on December 22, 2017, includes a number of significant changes to Section 162(m), such as the repeal of the qualified performance-based compensation exemption and the Act broadens the application of the deduction limit to additional executive officers who previously were exempt from such limit. As a result of these changes, except as otherwise provided in the transition relief provisions of the Act, compensation paid to any of our covered executives generally will not be deductible in 2018 or future years, to the extent that it exceeds \$1 million.

Our Compensation Committee seeks to balance its objective of ensuring an effective compensation package with the need to maximize the deductibility of executive compensation, and intends to seek to qualify executive compensation for deductibility under Section 162(m) to the extent consistent with the best interests of RealNetworks. However, due to the scope and application of 162(m) under the Act, we cannot guarantee that any compensation in excess of \$1 million paid to our covered executives after 2017 will be or will remain exempt from Section 162(m).

*Accounting for Stock-Based Compensation.* We account for stock-based compensation in accordance with the requirements of Accounting Standards Codification Topic 718, Compensation—Stock Compensation. Under the fair value provisions of this statement, stock-based compensation cost is measured at the grant date based on the fair value of the award.

*Compensation Risk Assessment.* Our Compensation Committee has reviewed our compensation policies and believes that our policies do not encourage excessive or inappropriate risk taking and that the level of risk that they do encourage is not reasonably likely to have a material adverse effect on the company. As part of its assessment, the Compensation Committee considered, among other factors, the allocation of compensation among base salary and short- and long-term compensation, our approach to establishing company-wide and individual financial, divisional and other performance targets, our bonus structure of payouts and the nature of our key performance metrics. We believe these practices encourage our employees to focus on sustained long-term growth, which we believe will ultimately contribute to the creation of shareholder value.

## **COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis for fiscal year 2017 with RealNetworks' management. Based on this review and discussion, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in RealNetworks' annual report on Form 10-K and proxy statement relating to the 2018 annual meeting of shareholders.

The Compensation Committee

of the Board of Directors

*Janice Roberts, Chair*

*Dawn G. Lepore*

*Dominique Trempont*

**Table of Contents****EXECUTIVE COMPENSATION TABLES****Summary Compensation Table for Fiscal Years 2017, 2016 and 2015**

The table below sets forth compensation information for the individuals who served as our chief executive officer and chief financial officer during 2017, and our three most highly compensated executive officers, other than our chief executive officer or chief financial officer, who served as executive officers as of December 31, 2017. We refer to these six individuals throughout this report as our named executive officers for 2017.

| Name and Principal Position  | Year | Salary<br>(\$)(1) | Bonus<br>(\$)(2) | Stock<br>Awards<br>(\$)(3) | Non-Equity<br>Incentive     |                                 | Total (\$) |                                      |
|--|------|-------------------|------------------|----------------------------|-----------------------------|---------------------------------|------------|--------------------------------------|
|  |      |                   |                  |                            | Option<br>Awards<br>(\$)(3) | Plan<br>Compensation<br>(\$)(4) |            | All Other<br>Compensation<br>(\$)(5) |
| Robert Glaser  | 2017 | 450,000           |                  |                            | 838,519                     | 274,500                         | 8,740      | 1,571,489                            |
| Founder, Chairman and  | 2016 | 450,000           |                  |                            | 1,002,000                   | 200,000                         | 7,216      | 1,659,216                            |
| Chief Executive Officer  | 2015 | 450,000           |                  |                            | 418,000                     | 337,500                         | 5,654      | 1,211,154                            |
| Cary Baker(6)  | 2017 | 216,667           | 100,000          |                            | 239,200                     | 101,563                         | 34,845     | 692,275                              |
| Senior Vice President,<br>Chief Financial Officer<br>and Treasurer |      |                   |                  |                            |                             |                                 |            |                                      |
| Michael Parham   | 2017 | 300,000           |                  |                            |                             | 154,125                         | 4,065      | 458,190                              |
| Senior Vice President,   | 2016 | 300,000           | 25,000           |                            | 233,586                     | 100,000                         | 4,065      | 662,651                              |
| General Counsel and  | 2015 | 300,000           |                  |                            |                             | 210,282                         | 4,131      | 514,413                              |
| Corporate Secretary  |      |                   |                  |                            |                             |                                 |            |                                      |
| Massimiliano Pellegrini(7)   | 2017 | 400,000           |                  |                            |                             | 165,600                         | 9,949      | 575,549                              |
| President, RealNetworks  | 2016 | 400,000           | 87,000           |                            | 432,938                     | 185,190                         | 8,113      | 1,113,241                            |
|  | 2015 | 400,000           |                  |                            |                             | 272,127                         | 4,605      | 676,732                              |
| William Patrizio(8)  | 2017 | 400,000           |                  |                            |                             | 300,000                         | 5,856      | 705,856                              |
| Former President,<br>Consumer Media                                | 2016 | 115,384           | 100,000          | 88,600                     | 406,000                     | 75,000                          | 2,742      | 787,726                              |
| Marjorie O. Thomas(6)  | 2017 | 114,583           |                  |                            |                             |                                 | 3,060      | 117,643                              |
| Former Senior Vice   | 2016 | 325,000           |                  |                            | 132,000                     | 100,000                         | 5,278      | 562,278                              |
| President, CFO and Treasurer                                       | 2015 | 316,458           | 100,000          |                            | 382,740                     | 206,586                         | 25,568     | 1,031,352                            |

(1) The 2017 amount shown for Mr. Baker reflects the portion of his 2017 annual base salary of \$325,000 that was earned from the commencement of his employment with RealNetworks on May 5, 2017, through the end of fiscal



year 2017. The 2017 amount shown for Ms. Thomas reflects the portion of her 2017 annual base salary of \$325,000 that was earned from January 1, 2017 through the termination of her employment with RealNetworks on May 5, 2017.

- (2) The 2017 bonus amount reported for Mr. Baker represents a signing bonus negotiated in connection with his recruitment to the company in May 2017, which is subject to repayment in full if he voluntarily leaves his employment with RealNetworks other than for good reason (as defined in the offer letter) within 12 months of his start date.
- (3) The amounts reported reflect the aggregate grant date fair value, excluding the effect of estimated forfeitures, of awards granted in the year shown pursuant to our 2005 Plan, determined in accordance with financial accounting rules (FASB ASC Topic 718), rather than an amount paid to or realized by the executive officer. For a discussion of valuation assumptions for these awards, see *Note 1 and Note 13* to our Notes to Consolidated Financial Statements included in our annual report on Form 10-K for the most recently completed fiscal year.
- (4) The amounts reported represent incentive bonus compensation that is based on performance in the year shown. This performance-based incentive bonus compensation is discussed in further detail in the Compensation Discussion and Analysis in the section entitled *2017 Compensation Annual Performance-Based Incentive Bonuses*. The bonuses determined to be payable pursuant to the 2017 Executive Bonus Plan were paid, in 2018, 50% in cash and 50% in the form of fully vested RSUs, with Mr. Glaser being granted 49,370 shares, Mr. Baker 18,266 shares, Mr. Parham 27,720 shares, Mr. Patrizio 53,956 shares and Mr. Pellegrini 29,784 shares pursuant to fully vested RSUs. The portion of the bonuses

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paid in the form of fully vested RSUs were treated as stock-based compensation pursuant to Accounting Standards Codification Topic 718, Compensation – Stock Compensation. Bonus payouts pursuant to the 2016 Executive Bonus Plan were also paid 50% in cash and 50% in the form of fully vested RSUs during the first quarter of 2017, and bonus payouts pursuant to the 2015 Executive Bonus Plan were 100% paid in the form of fully vested RSUs during the first quarter of 2016.

- (5) All other compensation generally consists of RealNetworks' 401(k) company match of up to \$4,050 and life insurance premiums paid by RealNetworks for the benefit of the named executive officer. For Mr. Glaser, however, all other compensation also includes \$6,664 for office space and parking for Mr. Glaser's personal assistant. For Mr. Baker, all other compensation also includes \$30,575 for relocation costs pursuant to the terms of his offer letter as described in the Compensation Discussion and Analysis in the section entitled *2017 Compensation Perquisites*. For Mr. Pellegrini, all other compensation also includes \$5,094 for the reimbursement of personal travel expenses pursuant to the terms of his offer letter as described in the Compensation Discussion and Analysis in the section entitled *2017 Compensation Perquisites*.
- (6) Mr. Baker was appointed Senior Vice President, Chief Financial Officer and Treasurer, and Ms. Thomas departed from the company, both effective May 5, 2017.
- (7) As previously disclosed by the company, Mr. Pellegrini was promoted to the position of President of RealNetworks effective February 1, 2018.
- (8) As previously disclosed by the company, Mr. Patrizio left RealNetworks effective March 1, 2018 in conjunction with being named President and Chief Executive Officer of Rhapsody International, Inc. d/b/a Napster, an affiliate of the company.

**CEO Pay Ratio**

For 2017:

The annual total compensation of the employee identified at the median of our company (other than our CEO), was \$62,809; and

The annual total compensation of our CEO was \$1,571,489.

Based on this information, for 2017, the ratio of the annual total compensation of Mr. Glaser, our CEO, to the median of the annual total compensation of all employees was estimated to be 25 to 1.

This pay ratio is a reasonable estimate calculated in a manner consistent with SEC rules based on our payroll and employment records and the methodology described below. The SEC rules for identifying the median compensated employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their compensation practices. As such, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies may have different employment and compensation practices and may utilize

different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios.

To identify the median of the annual total compensation of all our employees, as well as to determine the annual total compensation of the median employee, the methodology and the material assumptions, adjustments, and estimates that we used were as follows.

We determined that, as of November 30, 2017, our employee population consisted of approximately 480 individuals globally. We selected November 30, which is within the last three months of 2017, as the date upon which we would identify the median employee, because it allowed us to make such identification in a reasonably efficient and economical manner given the global scope of our operations.

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We included all of our full-time, part-time, and temporary employees globally. The compensation of all newly hired permanent employees was annualized based on the compensation received during this period.

Earnings of our employees outside the U.S. were converted to U.S. dollars using the currency exchange rates applicable on November 30, 2017. We did not make any cost of living adjustments.

To identify the median employee from our employee population, we collected total cash compensation for each employee, including annual base salary and bonus paid during the period, as applicable, for 2017.

**2017 Grants of Plan-Based Awards**

The following table sets forth certain information with respect to grants of plan-based awards for the year ended December 31, 2017 with respect to our named executive officers.

| Name             | Grant Date | Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1) |             |              | Estimated Future Payouts Under Equity Incentive Plan Awards(2) |            |             | All Other Stock Awards # of Shares or Units(3) | All Other Exercise or Underlying Options Awards(4) | Base Price of Option Awards (\$/Sh)(5) | Grant Date Fair Value of Stock and Option Awards(6) |
|------------------|------------|--|-------------|--------------|--|------------|-------------|--|--|--|---|
|                  |            | Threshold (\$)   | Target (\$) | Maximum (\$) | Threshold (#)  | Target (#) | Maximum (#) |  |  |  |   |
| Rob Glaser       |            | \$ 112,500   | \$ 450,000  | \$ 675,000   |  |            |             |  |  |  |   |
|                  | 01/26/17   |  |             |              |  |            |             |  | 63,675   | \$ 5.40                                | \$ 150,000  |
|                  | 03/15/17   |  |             |              |  |            | 20,920      |  |  |  | \$ 100,000  |
|                  | 12/15/17   |  |             |              |  | 400,000    |             |  |  | \$ 3.94                                | \$ 688,519  |
| Cary Baker       |            | \$ 40,625  | \$ 162,500  | \$ 243,750   |  |            |             |  |  |  |   |
|                  | 05/11/17   |  |             |              |  |            |             |  | 200,000  | \$ 4.29                                | \$ 239,200  |
| Michael Parham   |            | \$ 56,250  | \$ 225,000  | \$ 337,500   |  |            |             |  |  |  |   |
|                  | 03/15/17   |  |             |              |  |            | 10,460      |  |  |  | \$ 50,000   |
| Max Pellegrini   |            | \$ 75,000  | \$ 300,000  | \$ 450,000   |  |            |             |  |  |  |   |
|                  | 03/15/17   |  |             |              |  |            | 19,371      |  |  |  | \$ 92,595   |
| William Patrizio |            | \$ 75,000  | \$ 300,000  | \$ 450,000   |  |            |             |  |  |  |   |
|                  | 03/15/17   |  |             |              |  |            | 7,845       |  |  |  | \$ 37,500   |
| Marjorie Thomas  |            |  |             |              |  |            |             |  |  |  |   |
|                  | 03/15/17   |  |             |              |  |            | 10,460      |  |  |  | \$ 50,000   |

- (1) The amounts reported in these columns represent the threshold, target and maximum amounts of annual performance-based incentive bonus compensation that might have been paid to each named executive officer for 2017 performance. The actual payouts approved for 2017 performance are shown in the *Non-Equity Incentive Plan Compensation* column of the *Summary Compensation Table*. These awards are described in further detail in the Compensation Discussion and Analysis in the section entitled *2017 Compensation Annual Performance-Based Incentive Bonuses*. The bonus payouts approved pursuant to the 2017 Executive Bonus Plan were paid, during the first quarter of 2018, 50% in cash and 50% in the form of fully vested RSUs.
  
- (2) The amount reported in these columns represent the threshold, target and maximum amount of a stock option that was granted to Mr. Glaser in 2017. Mr. Glaser's option is scheduled to vest over four years, with 25% of the option vesting on the one-year anniversary of the grant date and an additional 12.5% every six months thereafter. The award is described in further detail in the Compensation Discussion and Analysis in the section entitled *2017 Compensation Chief Executive Officer Compensation Long-term Equity Awards*.
  
- (3) The number of securities reported in this column represent restricted stock units or nonqualified stock options granted under the 2005 Plan and are described in further detail above in the *Compensation Discussion and Analysis* and below in the *Outstanding Equity Awards at December 31, 2017* table. The

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per share exercise price of the stock options is equal to the closing price of a share of RealNetworks common stock on the date of grant.

- (4) The dollar amounts reported in this column reflect the aggregate grant date fair value, excluding the effect of estimated forfeitures, of the awards granted in 2017 pursuant to the 2005 Plan, determined in accordance with financial accounting rules (FASB ASC Topic 718) rather than an amount paid to or realized by the executive officer. For a discussion of valuation assumptions, see *Note 1 and Note 13* to our Notes to Consolidated Financial Statements included in our annual report on Form 10-K for the most recently completed fiscal year. The option exercise price has not been deducted from the amounts indicated above. Regardless of the value placed on a stock option on the grant date, the actual value of the option will depend on the market value of RealNetworks common stock at such date in the future when the option is exercised. The proceeds to be paid to the individual following the exercise of the option do not include the option exercise price.
- (5) The option granted to Mr. Glaser on January 26, 2017, having a grant date fair value of \$150,000, represents his annual salary replacement option, which vests monthly over the fiscal year and which is described in more detail in the section of the Compensation Discussion and Analysis entitled *2017 Compensation Chief Executive Officer Compensation Salary Options*. The option granted to Mr. Baker on May 11, 2017 was granted in connection with his hiring, pursuant to the terms of his offer letter, and is scheduled to vest over four years, with 25% of the option vesting on the one-year anniversary of the grant date and an additional 12.5% every six months thereafter.
- (6) The stock awards reported for all executives, except Mr. Baker, represent fully vested restricted stock units that were granted in lieu of cash as payout pursuant to the 2016 Executive Bonus Plan. Each of these share-based payments is described in more detail in the section of the Compensation Discussion and Analysis entitled *2017 Compensation Annual Performance-Based Incentive Bonuses*.

Table of Contents**Outstanding Equity Awards at Fiscal Year End December 31, 2017**

The following table provides information regarding the holdings of stock options and RSUs by the named executive officers as of December 31, 2017. The market value of the RSUs is based on the closing price of RealNetworks common stock on the NASDAQ Stock Market on December 29, 2017, which was \$3.42.

| Name(1)         | Vesting Commencement Date(2) | Option Awards   |   | Equity Incentive Plan Awards: # of Securities Underlying Unexercised Options (#) | Option Exercise Price (\$) | Option Expiration Date | Stock Awards                     |                                  |                                  |                                  |
|-----------------|------------------------------|---|---|--|----------------------------|------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
|                 |                              | Number of Securities Underlying Unexercised Options (#) | Number of Securities Underlying Unexercised Options (#) |  |                            |                        | Number of Shares of Common Stock | Number of Restricted Stock Units | Number of Restricted Stock Units | Number of Restricted Stock Units |
| Robert Glaser   | 12/31/2012                   | 105,000(2)  |   |  | 7.56                       | 12/31/2019             |                                  |                                  |                                  |                                  |
|                 | 12/24/2013                   | 500,000(4)  |   |  | 7.90                       | 12/24/2020             |                                  |                                  |                                  |                                  |
|                 | 01/17/2014                   | 37,025(2)   |   |  | 7.73                       | 01/17/2021             |                                  |                                  |                                  |                                  |
|                 | 07/28/2014                   | 39,173(3)   |   |  | 7.79                       | 07/28/2021             |                                  |                                  |                                  |                                  |
|                 | 01/22/2015                   | 45,398(3)   |   |  | 6.78                       | 01/22/2022             |                                  |                                  |                                  |                                  |
|                 | 12/31/2015                   |   |   | 200,000(5)   | 4.25                       | 12/31/2022             |                                  |                                  |                                  |                                  |
|                 | 01/26/2016                   | 87,714(3)   |   |  | 3.68                       | 01/26/2023             |                                  |                                  |                                  |                                  |
|                 | 12/22/2016                   |   |   | 400,000(5)   | 4.87                       | 12/22/2023             |                                  |                                  |                                  |                                  |
|                 | 01/26/2017                   | 63,675(3)   |   |  | 5.40                       | 01/26/2024             |                                  |                                  |                                  |                                  |
|                 | 12/15/2017                   |   | 400,000(8)  |  | 3.94                       | 12/15/2024             |                                  |                                  |                                  |                                  |
| Cary Baker      | 05/11/2017                   |   | 200,000(8)  |  | 4.29                       | 05/11/2024             |                                  |                                  |                                  |                                  |
| Michael Parham  | 12/06/2016                   | 121,098(6)  |   |  | 4.73                       | 12/06/2023             |                                  |                                  |                                  |                                  |
|                 | 12/06/2016                   | 90,000(7)   | 30,000(7)   |  | 4.73                       | 12/06/2023             |                                  |                                  |                                  |                                  |
| Bill Patrizio   | 10/03/2016                   | 87,500(8)   | 262,500(8)  |  | 4.43                       | 10/03/2023             |                                  |                                  |                                  |                                  |
| Max Pellegrini  | 12/06/2016                   | 306,250(9)  | 43,750(9)   |  | 4.73                       | 12/06/2023             |                                  |                                  |                                  |                                  |
|                 | 12/06/2016                   | 43,750(10)  |   |  | 4.73                       | 12/06/2023             |                                  |                                  |                                  |                                  |
|                 | 12/06/2016                   | 62,500(11)  | 37,500(11)  |  | 4.73                       | 12/06/2023             |                                  |                                  |                                  |                                  |
| Marjorie Thomas |                              |   |   |  |                            |                        |                                  |                                  |                                  |                                  |

- (1) For better understanding of this table, we have included an additional column showing the date on which the stock option grant commenced vesting, subject to (a) continuation of employment (or service) with the company through the applicable vesting dates and (b) applicable performance conditions, if any, as indicated in footnotes (2) through (11) below.
- (2) The award was vested in full on the grant date.
- (3) Options vested monthly over the fiscal year in which the option is granted, subject to continued employment with the company through the applicable vesting dates, and were fully vested on December 31 of such year.
- (4) Options vest at the rate of 12.5% on the six-month anniversary of the vesting commencement date and 12.5% every six months thereafter, such that the award becomes fully vested on the four-year anniversary of the vesting commencement date subject to continued employment with the company through the applicable vesting dates.
- (5) The option becomes eligible to vest and exercisable only in the event of attainment of certain target total shareholder return objectives within three years of the grant date. Upon achievement of such total shareholder return, or TSR, objectives, the option vests in equal monthly installments over four years from the grant date, with retroactive vesting upon achievement of the TSR objectives, subject to continued service to the company through the applicable vesting dates.
- (6) Pursuant to the terms of the 2016 shareholder-approved option exchange program, the option vested as to 50% of the underlying shares on 6/06/17, and the remaining 50% of shares on 12/06/17, subject to continued service with the company through the applicable vesting dates.
- (7) Pursuant to the terms of the 2016 shareholder-approved option exchange program, the option vested as to 45,000 shares on each of 6/06/17 and 12/06/17, and vests as to 15,000 shares on each of 1/25/18 and 7/25/18, subject to the recipient's continued service to the company through the applicable vesting dates.



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- (8) Options vest at the rate of 25% on the one-year anniversary of the vesting commencement date and 12.5% every six months thereafter, subject to the recipient's continued service to the company through the applicable vesting dates, such that the award becomes fully vested on the four-year anniversary of the vesting commencement date.
- (9) Pursuant to the terms of the 2016 shareholder-approved option exchange program, the option vested as to 153,125 shares on each of 6/06/17 and 12/06/17, and vests as to 43,750 shares on 2/20/18, subject to the recipient's continued service to the company through the applicable vesting dates.
- (10) Pursuant to the terms of the 2016 shareholder-approved option exchange program, the option vested as to 21,875 shares on each of 6/06/17 and 12/06/17, subject to continued service with the company through the applicable vesting dates.
- (11) Pursuant to the terms of the 2016 shareholder-approved option exchange program, the option vested as to 31,250 shares on each of 6/06/17 and 12/06/17, and vests as to 12,500 shares on each of 6/06/18, 12/06/18, and 6/06/19, subject to the recipient's continued service to the company through the applicable vesting dates.

**2017 Option Exercises and Stock Vested**

The following table provides information regarding restricted stock unit awards vested for our named executive officers during the fiscal year ended December 31, 2017. None of our named executive officers exercised any option awards during fiscal year 2017.

| Name            | Option Awards                             |                                 | Stock Awards                             |                                   |
|-----------------|---|---------------------------------|--|-----------------------------------|
|                 | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise (\$) | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting (\$)(1) |
| Rob Glaser      |   |                                 | 20,920                                   | 100,000                           |
| Cary Baker      |   |                                 |  |                                   |
| Michael Parham  |   |                                 | 10,460                                   | 50,000                            |
| Bill Patrizio   |   |                                 | 7,845                                    | 37,500                            |
| Max Pellegrini  |   |                                 | 19,371                                   | 92,595                            |
| Marjorie Thomas |   |                                 | 10,460                                   | 50,000                            |

- (1) Represents the number of shares vesting (including shares withheld to cover taxes) multiplied by the fair market value of RealNetworks' common stock on the vesting date. For all executives, except Mr. Baker who was not employed by RealNetworks on the relevant grant date, the stock award disclosed was granted as restricted stock units in lieu of cash as the bonus payout approved pursuant to the 2016 Executive Bonus Plan.

**Table of Contents****2017 Potential Payments Upon Termination of Employment or Change-in-Control**

The following table reflects the amount of compensation that would have been payable to each of our named executive officers in the event of the termination of such executive's employment under certain circumstances, assuming that (1) the triggering event took place on December 31, 2017, (2) the price per share of our common stock was \$3.42, which was the closing market price on December 29, 2017, and (3) that all cash payments are made in a lump sum.

| Name               | Benefit                           | Not in Connection with a Change in Control |                               | In Connection with a Change in Control |                           | Disability(\$) |
|--------------------|-----------------------------------|--|-------------------------------|--|---------------------------|----------------|
|                    |                                   | Termination Without Cause(\$)              | Termination Without Cause(\$) | Termination Without Cause(\$)          | Voluntary Termination(\$) |                |
| Rob Glaser         | Severance                         | 1,800,000                                  | 1,800,000                     |  |                           |                |
|                    | Bonus                             | 274,500                                    | 450,000                       |  |                           |                |
|                    | Equity award vesting acceleration |  |                               |  |                           |                |
| Cary Baker         | Severance                         | 325,000                                    | 639,843                       |  |                           |                |
|                    | Bonus                             | 101,562                                    |                               |  | 101,562                   | 101,562        |
|                    | Equity award vesting acceleration |  |                               |  |                           |                |
| Michael Parham     | Severance                         | 352,000                                    | 406,250                       |  |                           |                |
|                    | Bonus                             |  |                               |  | 154,125                   | 154,125        |
|                    | Equity award vesting acceleration |  |                               |  |                           |                |
| Bill Patrizio(1)   | Severance                         | 600,000                                    | 1,050,000                     |  |                           |                |
|                    | Bonus                             | 300,000                                    |                               |  | 300,000                   | 300,000        |
|                    | Equity award vesting acceleration |  |                               |  |                           |                |
| Max Pellegrini     | Severance                         | 400,000                                    | 848,400                       |  |                           |                |
|                    | Bonus                             | 165,600                                    |                               |  | 165,600                   | 165,600        |
|                    | Equity award vesting acceleration |  |                               |  |                           |                |
| Marjorie Thomas(2) | Severance                         |  |                               |  |                           |                |
|                    | Bonus                             |  |                               |  |                           |                |

Equity award  
vesting  
acceleration

- (1) Mr. Patrizio departed from RealNetworks on February 28, 2018, when he was named President and Chief Executive Officer of Rhapsody International, Inc. d/b/a/ Napster, an affiliate of ours.
- (2) Ms. Thomas departed from RealNetworks on May 5, 2017. She did not receive any severance benefits in connection with her departure.

**Benefits Not In Connection With A Change in Control**

Pursuant to his CEO severance agreement, in the event that, other than during the period beginning three months prior to a change in control of the company and ending 12 months after the change in control, either his employment is terminated without cause or he resigns for good reason, Mr. Glaser is eligible to receive (i) a lump sum payment equal to 200% of the sum of his then-current annual cash base salary and his then-current target

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annual bonus, (ii) a payment equal to the amount of bonus that he otherwise would have received pursuant to the bonus plan in which he participated at the time of his termination based on actual performance, had he remained employed through the end of the performance period, and (iii) up to 18 months of COBRA coverage. These severance benefits are subject to Mr. Glaser entering into a separation agreement and release of claims in favor of the company and his compliance with non-disparagement, no-hire, non-solicitation and non-competition covenants for a period of 24 months following the termination of his employment.

Pursuant to his offer letter, Mr. Patrizio is eligible to receive 18 months of salary and prorated bonus (in lump sum or monthly payments as determined by the company), plus 12 months of COBRA coverage, in the event that, prior to the three-year anniversary of his start date, his employment is terminated without cause other than in connection with a change in control event; subsequent to the three-year anniversary of his start date, however, he is eligible to receive 12 months of salary and prorated bonus, plus an equivalent period of COBRA coverage.

Pursuant to their offer letters, Mr. Baker and Mr. Pellegrini are each eligible to receive 12 months of salary (in lump sum or monthly payments as determined by the company) and prorated bonus in lump sum, plus an equivalent period of COBRA coverage, in the event that his employment is terminated without cause other than in connection with a change in control event. For each of Mr. Pellegrini and Mr. Baker, the prorated bonus severance would be in an amount equal to actual performance (but in any case not less than 37.5% of base salary in the case of Mr. Pellegrini and 30.0% in the case of Mr. Baker) prorated to reflect his period of employment during the year in which the termination of his employment occurs.

Pursuant to his offer letter, Mr. Parham is eligible to receive 12 months of salary plus 12 months of COBRA coverage in the event that his employment is terminated without cause other than in connection with a change in control event.

The above severance benefits are subject to the individual entering into a customary separation agreement and release of claims in favor of the company.

In addition, each of Messrs. Baker's, Patrizio's and Pellegrini's offer letters provides that upon a termination without cause other than in connection with a change in control, the executive will receive one year of accelerated vesting of any unvested, non-performance-based stock options. For Mr. Parham, certain equity awards that he holds provide for partial vesting acceleration upon his termination by us other than for cause. Specifically, for awards granted prior to November 30, 2012, if we terminate his employment for any reason other than for cause, and any of his outstanding stock options or RSUs are not fully vested, the next vesting installment of such stock options or RSUs will vest on a pro rata basis for the portion of the year elapsed since the date on which the vesting of the options or RSUs commenced or the last anniversary thereof, expressed in full months, provided that the executive executes and delivers a settlement agreement and release satisfactory to us on or before the date of such termination.

Mr. Glaser's severance agreement provides that, if his employment terminates but Mr. Glaser remains as Chairman of the Board, then he will remain eligible to participate in our group health plans or we may provide him with an annual cash payment equivalent to our premium cost for his participation in our group health plan.

## **Benefits In Connection With A Change in Control**

The CEO severance agreement provides that if, during the period beginning three months prior to a change in control of the company and ending 12 months after the change in control, Mr. Glaser's employment is terminated without cause or he resigns for good reason, then he will receive (i) a lump sum payment equal to 200% of the sum of his then-current annual cash base salary and his then-current target annual bonus, (ii) a lump sum payment equal to his then-current target bonus, prorated to reflect his period of employment during the applicable performance period,

(iii) full acceleration of the vesting of any unvested, non-performance-based

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equity awards, and (iv) up to 18 months of COBRA coverage. These severance benefits are subject to Mr. Glaser entering into a release of claims in favor of the company and his compliance with non-disparagement, no-hire, non-solicitation and non-competition covenants for a period of 24 months following the termination of his employment.

Mr. Glaser's performance-based options that were granted to him in December 2015 and 2016 provide that in the event of a change in control, as defined in Mr. Glaser's severance agreement, while the performance options are outstanding but prior to the achievement of the relevant TSR Goal, if the TSR Goal otherwise would be deemed achieved as measured by substituting for the trailing 90-day average stock price, the fair market value of our common stock immediately prior to the change in control (as adjusted to reflect any dividends), then the TSR Goal will be deemed achieved as of such date. If a change in control had occurred on December 31, 2017, and the price per share of our common stock was \$3.42, which was the closing market price on December 31, 2017, none of the shares subject to any of the performance-based options would have become vested.

The CIC Agreements between RealNetworks and each of our named executive officers, except Mr. Glaser, provide that the executive would receive certain payments in the event of his or her termination of employment under certain circumstances. Specifically, in the case of Messrs. Baker, Patrizio or Pellegrini, if his employment is terminated without cause or he resigns for good reason and the termination occurs during the period beginning three months prior to a change in control of the company and ending 12 months after the change in control, then he is entitled to receive 150% of his base salary, 150% of his prorated bonus, 12 months of acceleration of equity awards, extension of post-termination exercisability period of outstanding vested options for up to 12 months, and up to 12 months of reimbursement of COBRA coverage (or up to 18 months of COBRA in the case of Mr. Patrizio). In the case of Mr. Parham, if his employment is terminated without cause or he resigns for good reason and the termination occurs during the period beginning three months prior to a change in control of the company and ending 12 months after the change in control, then he is entitled to receive 125% of his base salary, 125% of his target bonus or his prorated target bonus for any partial bonus period, full acceleration of equity awards granted after February 1, 2010, extension of post-termination exercisability period of outstanding vested options for up to 12 months, and up to 18 months of reimbursement of COBRA coverage. In the case of performance-based RSUs, the termination without cause or resignation for good reason of a named executive officer would result in full acceleration of such award. These severance benefits are subject to (1) the individual entering into a customary separation agreement and release of claims in favor of the company, (2) a non-disparagement obligation, and (3) non-solicitation and no-hire obligations for a period of 12 months (for Mr. Parham) or 18 months (for Messrs. Baker, Patrizio and Pellegrini) following employment termination.

**Benefits Upon Death and Disability**

If the employment of a named executive officer had terminated on December 31, 2017 due to death or disability, the executive or his beneficiary would have been entitled to receive the portion of the performance-based cash incentive or discretionary bonus compensation earned in 2017 but not paid as of December 31, 2017.

If the employment of a named executive officer terminates due to his death, any stock options or RSUs that are unvested as of the date of his death will fully vest on such date and any options may be exercised by his estate or legal representative for a period of one year following such date, but not later than the expiration date of such stock options. If the employment of a named executive officer terminates due to disability, and any of his outstanding stock options or RSUs are not fully vested, the next vesting installment of such stock options or RSUs will vest on a pro rata basis for the portion of the year elapsed since the date on which the vesting of the options or RSUs commenced or the last anniversary thereof, expressed in full months. In the case of performance-based RSUs, the death or disability of a named executive officer would result in full acceleration of such award.

**Certain Defined Terms**

For purposes of Mr. Glaser's severance agreement, the term "Cause" generally means conduct by the executive involving one or more of the following: (1) conviction of or plea of no contest to a felony involving

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moral turpitude resulting in material harm to the company; (2) willful, substantial and continuing failure for a period of 30 days after written notice to perform the reasonable duties of his position (other than due to illness or incapacity); (3) willful misconduct, gross negligence, fraud, embezzlement, theft, misrepresentation or dishonesty by the executive involving the company or any of its subsidiaries, intended to result in substantial personal enrichment and that results in material harm to the company; or (4) violation of any confidentiality or non-competition agreements with the company or its subsidiaries, resulting in substantial, material harm to the company.

For purposes of the offer letters, the term **Cause** generally means conduct by the executive involving one or more the following: (1) conviction of or plea of no contest to a felony involving moral turpitude resulting in material harm to the company; (2) substantial and continuing failure after written notice to render services to the company in accordance with the terms and requirements of his employment (other than due to illness or incapacity); (3) willful misconduct, gross negligence, fraud, embezzlement, theft, misrepresentation or dishonesty by the executive involving the company or any of its subsidiaries, resulting in material harm to the company; or (4) violation of any confidentiality or non-competition agreements with the company or its subsidiaries, resulting in material harm to the company.

For purposes of the CIC Agreements, the term **Cause** generally means conduct by the executive involving one or more of the following: (1) conviction of or plea of no contest to a felony involving moral turpitude resulting in material harm to the company; (2) willful, substantial and continuing failure to perform the reasonable duties of his position (other than due to illness or incapacity) for at least 30 days following written notice from the Board; (3) willful misconduct, gross negligence, fraud, embezzlement, theft, misrepresentation or dishonesty by the executive involving the company or any of its subsidiaries, in each case that is intended to result in the substantial personal enrichment of the executive and that results in substantial, material harm to the company; or (4) violation of any confidentiality or non-competition agreements with the company or its subsidiaries, which violation results in substantial, material harm to the company.

For purposes of the equity award agreements, the term **Cause** generally means conduct by the executive involving one or more of the following: (1) conviction or plea of no contest to a felony or misdemeanor involving moral turpitude; (2) indictment for a felony or misdemeanor involving moral turpitude under the federal securities laws; (3) substantial and continuing failure after written notice to render services to the company in accordance with the terms or requirements of the executive's employment for reasons other than illness or incapacity; (4) willful misconduct or gross negligence; (5) fraud, embezzlement, theft, misrepresentation or dishonesty involving the company or any subsidiary, or willful violation of a policy or procedure of the company, resulting in any case in significant harm to the company; or (6) violation of any confidentiality or non-competition agreements with the company or its subsidiaries.

For purposes of Mr. Glaser's severance agreement and the CIC Agreements, the term **Change in Control** generally means the occurrence of any of the following: (1) during any 24-month period, individuals who, at the beginning of the period constitute the Board (the **Incumbent Directors**) cease to constitute at least a majority of the Board, provided that any directors whose election or nomination for election was approved by a majority vote of the **Incumbent Directors** will be considered an **Incumbent Director** (but not any director who was initially elected or nominated as a result of an actual or threatened election contest or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board); or (2) any person is or becomes a beneficial owner of securities of the company representing 50% or more of the combined voting power of the company's then outstanding securities eligible to vote for the election of the Board, excluding any of the following acquisitions: (A) by the Company or any subsidiary, (B) by any employee benefit plan sponsored or maintained by the company or any subsidiary, (C) by any underwriter temporarily holding securities pursuant to an offering of such securities, or (D) pursuant to a **Non-Qualifying Transaction** (as defined in clause (3) below); or (3) a merger, consolidation, statutory share exchange, reorganization or similar form of corporate transaction involving the company or its subsidiaries that requires the



approval of the company's shareholders, unless immediately following such corporate transaction: (A) more than 50% of the total voting

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power of (x) the surviving corporation resulting from such transaction, or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of the surviving corporation, is represented by company voting securities that were outstanding immediately prior to such the corporate transaction (or, if applicable, is represented by shares into which such company voting securities were converted pursuant to such corporate transaction), and the voting power among the holders thereof is in substantially the same proportion as the voting power of such company voting securities among the holders thereof immediately prior to the corporate transaction, (B) no person is or becomes the beneficial owner of 50% or more of the total voting power of the outstanding voting securities eligible to elect directors of the parent corporation or surviving corporation and (C) at least half of the members of the board of directors of the parent corporation or surviving corporation following the corporate transaction were Incumbent Directors at the time of the Board's approval of the execution of the initial agreement providing for such corporate transaction (any corporate transaction which satisfies all of the criteria specified in (A), (B) and (C) above will be deemed to be a Non-Qualifying Transaction ); or (4) a change in the ownership of a substantial portion of the company's assets which occurs on the date that any person, or group of persons acquires or has acquired during a 12-month period assets from the company with a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the company. Under Mr. Glaser's severance agreement, the transaction also must constitute a change in control within the meaning of Internal Revenue Code Section 409A in order to be considered a Change in Control.

For purposes of the equity award agreements, the term Disability generally means a permanent and total disability as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended.

For purposes of Mr. Glaser's severance agreement and the CIC Agreements and Messrs. Baker, Patrizio and Pellegrini's offer letters, the term Good Reason generally means the executive's resignation within 30 days (or 60 days, for Mr. Glaser) after the expiration of any company cure period following the occurrence of one or more of the following, without his written consent: (1) a material reduction in the executive's duties, authorities or responsibilities relative to the executive's duties, authorities or responsibilities as in effect immediately prior to the Change in Control; (2) a material reduction in the executive's annual base compensation; (3) a material reduction in the executive's annual target bonus opportunity; and (4) a material change in the geographic location at which the executive must perform services. The executive must first provide the company with written notice within 90 days of the event that the executive believes constitutes Good Reason specifically identifying the acts or omissions constituting the grounds for Good Reason and a reasonable cure period of not less than 30 days following the date of such notice.

### **COMPENSATION OF NON-EMPLOYEE DIRECTORS**

In 2017, each director who was not an employee of RealNetworks was paid \$8,750 per quarter for his or her services as a director. Non-employee directors were also paid (i) \$1,000 for participation in each meeting of the Board, (ii) \$1,000 for participation in each meeting of a Board committee, including our standing committees and certain special committees, and (iii) \$5,000 per quarter for serving as chairperson of the Audit Committee, \$3,125 per quarter for serving as chairperson of the Compensation Committee and \$2,500 per quarter for serving as chairperson of the Nominating and Corporate Governance Committee. In addition, the lead independent director was paid an additional retainer of \$5,000 per quarter. Directors were also reimbursed for their reasonable expenses incurred in attending Board of Directors or Committee meetings.

Pursuant to the RealNetworks, Inc. 2007 Director Compensation Stock Plan, a sub-plan administered under our 2005 Plan, a non-employee director may make an irrevocable election prior to the commencement of each plan year to receive all or a portion of the cash compensation payable to such director for the coming year in shares of our common stock. No director elected to receive shares in lieu of cash compensation in 2017.



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Non-employee directors other than our Chairman receive equity awards under the 2005 Plan on the third business day following each annual meeting of shareholders. The 2017 equity awards consisted of (i) nonqualified stock options to purchase 15,000 shares of our common stock that, once vested, will remain exercisable for three years following the director's separation from the Board or until the option's earlier expiration, and (ii) RSUs valued at \$45,000 on the grant date. These options and RSUs vest monthly in equal increments over a 12-month period following the award's grant date assuming continued service as a director, with the RSU share distribution date occurring on the first anniversary of the grant date. Non-employee directors may make an annual irrevocable election to defer the RSU share distribution date to a date that is (i) five years following the RSU grant date, or (ii) concurrent with the Director's separation from the Board. Our Board has adopted stock ownership guidelines applicable to non-employee directors designed to achieve long-term alignment between non-employee directors and our shareholders. Under these guidelines, each non-employee director is required to own a number of shares of our common stock equal to three times such director's annual retainer fee within five years of service on the Board.

On September 22, 2017, our non-employee directors were each granted RSUs for 9,493 shares and an option to acquire 15,000 shares of our common stock having an exercise price of \$4.74 per share, which RSUs and options vest as described above.

On July 28, 2016, our Board approved revisions to the company's Outside Director Compensation program to provide for compensation, in the form of RealNetworks options and restricted stock units awards, to any nonemployee director of RealNetworks who is appointed by the RealNetworks Board to serve, on behalf of RealNetworks and the Board, on the board of directors of an entity that is an affiliate or investee of RealNetworks. The annual equity awards to be granted as compensation for such RealNetworks-designated service, would be equal to the annual equity awards granted to nonemployee directors of RealNetworks as described above. Pursuant to these revisions, on October 21, 2017, the Board approved equity awards to compensate Mr. Slade for his service as a RealNetworks-designated director on the board of Rhapsody International, Inc., d/b/a Napster. RealNetworks owned approximately 42% of the issued and outstanding stock of Rhapsody on December 31, 2017 and, accordingly, is considered an affiliate of ours. The equity awards served as compensation for the one-year period following October 21, 2017, and are reflected in the 2017 Director Compensation Table below and more specifically described in the footnotes that accompany the table.

While Mr. Glaser serves as our Chief Executive Officer, he will not receive compensation as a director. See the *Summary Compensation Table* for Mr. Glaser's compensation for services provided as Chief Executive Officer in 2017.

**2017 Director Compensation Table**

| Name                    | Fees Earned or Paid in Cash (\$) | Restricted Stock Unit Awards (\$)(1)(2) | Option Awards (\$)(1) | All Other Compensation (\$) | Total (\$) |
|-------------------------|----------------------------------|---|-----------------------|-----------------------------|------------|
| Bruce A. Jaffe(3)       | 47,969                           | 45,000                                  | 19,812                |                             | 112,781    |
| Christopher R. Jones(4) | 50,436                           | 45,000                                  | 19,812                |                             | 115,248    |
| Dawn G. Lepore(5)       | 56,740                           | 45,000                                  | 19,812                |                             | 121,552    |
| Janice Roberts(6)       | 65,001                           | 45,000                                  | 19,812                |                             | 129,813    |
| Michael B. Slade(7)     | 45,000                           | 90,000                                  | 40,320                |                             | 175,320    |
| Dominique Trempont(8)   | 98,368                           | 45,000                                  | 19,812                |                             | 163,180    |

- (1) The amounts reported in these columns reflect the aggregate grant date fair value, excluding the effect of estimated forfeitures, of awards granted during the fiscal year pursuant to the 2005 Plan, determined in accordance with financial statement reporting rules rather than an amount paid to or realized by the director. For a discussion of valuation assumptions, see Note 1 and Note 13 to our Notes to Consolidated Financial

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Statements included in our annual report on Form 10-K for the most recently completed fiscal year. As of December 31, 2017, the aggregate number of shares of RealNetworks common stock underlying outstanding option awards for each non-employee director was: 45,000 for Mr. Jaffe; 34,596 for Mr. Jones; 75,520 for Ms. Lepore, 94,270 for Ms. Roberts; 140,829 for Mr. Slade; and 94,791 for Mr. Trempont.

- (2) As of December 31, 2017, each of our non-employee directors held 9,493 shares of RealNetworks common stock underlying outstanding RSU awards, except Mr. Slade, who held 18,752 shares of RealNetworks common stock underlying outstanding RSU awards.
- (3) Mr. Jaffe served as a member of the Audit Committee for the entire year.
- (4) Mr. Jones served as a member of the Audit Committee for the entire year.
- (5) Ms. Lepore served as a member of the Compensation Committee and as Chair of the Nominating and Corporate Governance Committee for the entire year.
- (6) Ms. Roberts served as Chair of the Compensation Committee and as a member of the Nominating and Corporate Governance Committee for the entire year.
- (7) Pursuant to the July 2016 revisions to our Outside Director Compensation program described above, on October 21, 2017, Mr. Slade was granted an option to purchase 15,000 shares of RealNetworks common stock with a per share exercise price of \$4.86 and 9,259 RSUs, each award scheduled to vest monthly in equal increments over a 12-month period following the award's grant date assuming continued service as a RealNetworks-designated director of Napster, with the RSU share distribution date occurring on the first anniversary of the grant date.
- (8) Mr. Trempont served as Lead Independent Director, Chair of the Audit Committee, and as a member of the Compensation Committee for the entire year.

**PROPOSAL 2 ADVISORY VOTE ON THE COMPENSATION OF NAMED EXECUTIVE OFFICERS**

In accordance with Section 14A of the Exchange Act, we are providing our shareholders with the opportunity to cast an advisory vote on executive compensation as more fully described below.

As described in more detail in the Compensation Discussion and Analysis section of this proxy statement, our executive compensation program is designed to attract, motivate and retain executive officers critical to the long-term success of RealNetworks and the creation of shareholder value. Our executive compensation program links competitive levels of compensation to company performance as compared to performance goals to ensure accountability and to motivate executives to achieve a higher level of performance.

The Compensation Discussion and Analysis describes our executive compensation program and the decisions made by our Compensation Committee regarding 2017 compensation in more detail. The Compensation Committee has implemented practices that it believes are indicative of its executive compensation philosophy and its desire to maintain good corporate governance, including:

Establishing executive compensation that is competitive and linked to both company and individual performance;

Providing for a substantial portion of executive compensation to be in the form of incentive compensation that is at risk and dependent upon RealNetworks' business results;

Providing pay incentives that closely align the interests of executives with the long-term interests of our shareholders;

Formalizing an annual process to assess risks associated with our compensation policies and programs; and

Hiring independent compensation consultants to assist the Compensation Committee with its compensation decisions.

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We request shareholder approval of the compensation of our named executive officers as disclosed pursuant to the SEC's compensation disclosure rules as set forth in the Compensation Discussion and Analysis, the executive compensation tables and the narrative disclosures that accompany the compensation tables. Accordingly, we ask that you vote **FOR** the following resolution at the Annual Meeting:

RESOLVED, that the shareholders of RealNetworks, Inc. approve, on an advisory basis, the compensation of the named executive officers, as disclosed in RealNetworks, Inc.'s proxy statement for the 2018 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2017 Summary Compensation Table, and the other related tables and disclosure within this proxy statement.

As an advisory vote, this proposal is not binding on RealNetworks or its Board of Directors. However, the Board of Directors and its Compensation Committee, which is responsible for designing and administering RealNetworks executive compensation program, value the opinions expressed by shareholders in their vote on this proposal and will review and consider the results of this vote when making future decisions regarding the compensation of our named executive officers. We currently plan to hold an advisory vote annually, so the next such shareholder advisory vote will occur at our 2019 annual meeting.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR PROPOSAL 2.**

## **PROPOSAL 3 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board has appointed the firm of KPMG LLP as the independent registered public accounting firm for RealNetworks' fiscal year ending December 31, 2018, and the Board of Directors recommends that shareholders vote for the ratification of such appointment. Although ratification by our shareholders is not required by law, RealNetworks has determined that it is desirable to request shareholder approval of this appointment.

Notwithstanding its selection, the Audit Committee, in its discretion, may appoint a new independent registered public accounting firm at any time during the year if the Audit Committee believes that such change would be in the best interests of RealNetworks and its shareholders. If the shareholders do not ratify the appointment of KPMG LLP, the Audit Committee may reconsider its selection.

KPMG LLP has audited the consolidated financial statements of RealNetworks since 1994, including performing audit services in connection with the audit of our consolidated financial statements for our most recently completed fiscal year. In addition, KPMG LLP has rendered other services, including the review of financial statements and related information in various registration statements and filings with the SEC.

### **Fees Billed by KPMG LLP During 2016 and 2017**

The following table presents fees for professional audit services rendered by KPMG LLP, an independent registered public accounting firm, for the audit of our annual financial statements for 2016 and 2017, and fees billed for other services rendered by KPMG LLP.



|                    | <b>2016</b>       | <b>2017</b>       |
|--------------------|-------------------|-------------------|
| Audit Fees(1)      | \$ 972,000        | \$ 863,000        |
| Audit-Related Fees | 0                 | 0                 |
| Tax Fees(2)        | 0                 | 0                 |
| All Other Fees     | 0                 | 0                 |
| <b>Total Fees</b>  | <b>\$ 972,000</b> | <b>\$ 863,000</b> |

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- (1) Fees in connection with the audit of RealNetworks' annual financial statements for the fiscal years ended December 31, 2016 and 2017, reviews of the financial statements included in RealNetworks' quarterly reports on Form 10-Q during the 2016 and 2017 fiscal years, Sarbanes-Oxley Section 404 attestation services and statutory and other audits for subsidiaries of RealNetworks.
- (2) Fees in connection with professional services for tax return preparation and consultation on matters related to certain of our subsidiaries.

### **Pre-Approval Policies and Procedures**

The Audit Committee approves in advance all audit and non-audit services to be performed by our independent auditors. As part of its pre-approval procedures, the Audit Committee considers whether the provision of any proposed non-audit services is consistent with the SEC's rules on auditor independence. In accordance with its pre-approval procedures, the Audit Committee has pre-approved all specified audit and non-audit services to be provided by KPMG LLP for up to twelve months from the date of the pre-approval. If there are any additional services to be provided, a request for pre-approval must be submitted by management to the Audit Committee for its consideration. In 2016 and 2017, the Audit Committee approved all services and fees of KPMG LLP identified in the above table in accordance with SEC requirements.

Representatives of KPMG LLP are expected to be present at the Annual Meeting and will have the opportunity to make a statement if they desire to do so. It is also expected that they will be available to respond to appropriate questions.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2018.**

### **Report of the Audit Committee of the Board of Directors**

The following is the report of the Audit Committee with respect to RealNetworks' audited financial statements, which include the consolidated balance sheets of RealNetworks as of December 31, 2016 and 2017, and the related consolidated statements of operations, shareholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2017, and the notes thereto.

As part of fulfilling its responsibilities, the Audit Committee reviewed and discussed the audited consolidated financial statements for fiscal 2017 with management and has discussed those matters required by Statement on Auditing Standards No. 16, Communications with Audit Committees, as adopted by the Public Company Accounting Oversight Board, with KPMG LLP. The Audit Committee received the written disclosures and the letter from KPMG LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding KPMG LLP's communications with the Audit Committee concerning independence, and has discussed with KPMG LLP its independence from RealNetworks.

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Based on the Audit Committee's review of the audited consolidated financial statements and its discussions with management, the internal audit function and KPMG LLP, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements for fiscal 2017 be included in the RealNetworks Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

The Audit Committee of the Board of Directors

*Dominique Trempont, Chair*

*Bruce A. Jaffe*

*Christopher R. Jones*

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**OTHER BUSINESS**

The Board of Directors does not intend to bring any other business before the meeting, and, so far as is known to the Board, no matters are to be brought before the meeting except as specified in the Notice of Annual Meeting of Shareholders. However, as to any other business that may properly come before the meeting, it is intended that proxies, in the form enclosed, will be voted in respect to those proxies in accordance with the judgment of the persons voting such proxies.

*The information contained above under the captions Compensation Committee Report and Report of the Audit Committee of the Board of Directors shall not be deemed to be soliciting material or to be filed with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Exchange Act except to the extent that RealNetworks specifically incorporates it by reference into such filing.*

**IT IS IMPORTANT THAT PROXIES ARE RETURNED PROMPTLY AND THAT YOUR SHARES ARE REPRESENTED. SHAREHOLDERS ARE URGED TO MARK, SIGN AND DATE THE ENCLOSED PROXY CARD AND MAIL IT PROMPTLY IN THE ENCLOSED RETURN ENVELOPE.**

BY ORDER OF THE BOARD OF DIRECTORS

MICHAEL PARHAM

*Senior Vice President, General Counsel*

*and Corporate Secretary*

August 22, 2018

Seattle, Washington

**A COPY OF REALNETWORKS ANNUAL REPORT ON FORM 10-K FOR THE 2017 FISCAL YEAR, AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, IS AVAILABLE WITHOUT CHARGE TO ANY SHAREHOLDER UPON WRITTEN REQUEST TO: REALNETWORKS, INC.**

**ATTN: INVESTOR RELATIONS**

**1501 FIRST AVENUE SOUTH, SUITE 600**

**SEATTLE, WASHINGTON 98134**



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**DIRECTIONS TO THE REALNETWORKS, INC. 2018 ANNUAL MEETING OF SHAREHOLDERS**

The 2018 Annual Meeting of Shareholders will be held on October 1, 2018 at 1:30 p.m. Pacific Time at:

Home Plate Center Building

1501 First Avenue South

Lobby Conference Room

Seattle, Washington 98134

**From Bellevue/Redmond (Eastside):**

Take **I-90 West**

Take the **4th Avenue South** Exit

Keep left at the fork, follow signs for **Edgar Martinez Drive South**

Turn left onto **1st Avenue South** **Home Plate Center Building is located to your right**

**From West Seattle:**

Head **south** on **California Avenue Southwest** toward **Southwest Dakota Street**

Take the 1st left onto **SW Dakota St**

Turn right onto **35th Avenue Southwest**

Turn left onto **West Seattle Bridge**

Take the **1st Avenue South** exit

Turn left onto **1st Avenue South** **Home Plate Center Building is located to your left**

**From the North (Everett/Lynwood):**

Follow signs for **Interstate 5 South/Tacoma/Portland**

Keep right at the fork, follow signs for **4th Avenue South**

Keep left at the fork, follow signs for **Edgar Martinez Drive**

Turn right onto **Edgar Martinez Drive South**

Turn left onto **1st Avenue South** **Home Plate Center Building is located to your right**  
**From the South (Airport/Tacoma):**

Head **North** on **International Blvd** towards **180th Street**

Slight right onto the **Washington 518 East** ramp to **Interstate 405/Interstate 5/Renton**

Merge onto **WA-518 East**

Take the **Interstate 5 North** exit on the left toward **Seattle**

Merge onto **I-5 North**

Take exit **164B** for **Edgar Martinez Drive South**

Turn right onto **Edgar Martinez Drive South**

Turn left onto **1st Avenue South** **Home Plate Center Building is located to your right**

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**RealNetworks, Inc.**

***IMPORTANT ANNUAL MEETING  
INFORMATION***

**Electronic Voting Instructions**

**Available 24 hours a day, 7 days a week!**

Instead of mailing your proxy, you may choose one of the voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED  
BELOW IN THE TITLE BAR.

**Proxies submitted by the Internet or telephone  
must be received by 11:59 p.m., Pacific Time, on  
September 30, 2018.**

**Vote by Internet**

Go to  
**[www.envisionreports.com/RNWK](http://www.envisionreports.com/RNWK)**

Or scan the QR code with your  
smartphone

Follow the steps outlined on the secure  
website



**Vote by telephone**

Call toll free 1-800-652-VOTE (8683) within the USA, US territories & Canada on a touch tone telephone

Follow the instructions provided by the recorded message

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas.

q **IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** q

**A** **Proposals** The Board of Directors recommends a vote **FOR** all nominees, **FOR** Proposal 2, and **FOR** Proposal 3.

1. Election of Directors: **For** **Withhold**  
01 - Rob Glaser  
02 - Bruce A. Jaffe

+

**For** **Against** **Abstain**

**For** **Against** **Abstain**

2. Non-binding advisory vote on executive compensation.

3. Ratification of KPMG LLC as independent registered public accounting firm.

**B** **Non-Voting Items**

**Change of Address** Please print your new address below.

**Comments** Please print your comments below.

**Meeting Attendance**

Mark the box to the right if you plan to attend the Annual Meeting.

**C Authorized Signatures This section must be completed for your vote to be counted. Date and Sign Below**

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

Date (mm/dd/yyyy) Please print date below. Signature 1 Please keep signature within box Signature 2 Please keep signature within box

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**q IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION,**

**DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. q**

**Proxy RealNetworks, Inc.**

**Notice of 2018 Annual Meeting of Shareholders**

**1501 First Avenue South, Seattle, Washington 98134**

**Proxy Solicited by Board of Directors for Annual Meeting October 1, 2018**

Robert Glaser and Michael Parham, or either of them, each with the power of substitution, are hereby authorized to represent and vote the shares of the undersigned, with all the powers which the undersigned would possess if personally present, at the Annual Meeting of Shareholders of RealNetworks, Inc. to be held on October 1, 2018 or at any postponement or adjournment thereof.

**Shares represented by this proxy will be voted by the shareholder. If no such directions are indicated, the proxies will have authority to vote FOR the election of the nominated directors, FOR Proposal 2, and FOR Proposal 3.**

**In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting.**

(Items to be voted appear on reverse side.)