

REALNETWORKS INC
Form DEF 14A
August 07, 2014

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)

(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:

1501 First Avenue South
Seattle, Washington 98134

August 7, 2014

Dear Shareholder:

I cordially invite you to attend the RealNetworks, Inc. 2014 Annual Meeting of Shareholders. The Annual Meeting will be held at 1:30 p.m., Pacific Time, on Wednesday, September 17, 2014 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 7, 2014, we mailed to our shareholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy statement and fiscal 2013 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

REALNETWORKS, INC.

1501 First Avenue South, Suite 600

Seattle, Washington 98134

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON

September 17, 2014

at 1:30 p.m. Pacific Time

To the Shareholders of RealNetworks, Inc.:

NOTICE IS HEREBY GIVEN that the 2014 Annual Meeting of Shareholders of RealNetworks, Inc., a Washington corporation, will be held on Wednesday, September 17, 2014 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 Janice Roberts and Michael B. Slade as Class 2 directors, each to serve for a three-year term;
2. To approve amendments to the RealNetworks, Inc. 2005 Stock Incentive Plan;
3. To approve an advisory vote on executive compensation;
4. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014; and
5. 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 25, 2014. 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, 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 7, 2014

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

Shareholders to Be Held on September 17, 2014

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, 2013. The proxy statement and our fiscal 2013 annual report to shareholders are available at www.edocumentview.com/rnwk.

REALNETWORKS, INC.

1501 First Avenue South, Suite 600

Seattle, Washington 98134

(206) 674-2700

2014 PROXY STATEMENT

For the Annual Meeting of Shareholders

To Be Held September 17, 2014

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 Wednesday, September 17, 2014 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, 2013, including financial statements, were mailed on or about August 7, 2014, 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 2 directors, Janice Roberts and Michael B. Slade, to serve for terms of three years and until their respective successors are duly elected and qualified, subject to earlier resignation or removal;

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The approval of certain amendments to the RealNetworks, Inc. 2005 Stock Incentive Plan;

A non-binding, advisory vote on the compensation of our named executive officers for the fiscal year ended December 31, 2013; and

The ratification of the appointment of KPMG LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2014.

What are the recommendations of the board of directors?

The board of directors unanimously recommends that you vote:

FOR election of the nominated Class 2 directors (Proposal 1);

FOR the proposal regarding amendments to the RealNetworks, Inc. 2005 Stock Incentive Plan (Proposal 2);

FOR the proposal regarding an advisory vote on executive compensation (Proposal 3); and

FOR ratification of KPMG LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2014 (Proposal 4).

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 25, 2014, the record date, there were 35,995,569 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), the proposal to amend the RealNetworks, Inc. 2005 Stock Incentive Plan (Proposal 2), and the proposal regarding an advisory vote on executive compensation (Proposal 3). 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.

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;
- (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 the Class 2 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 approval of amendments to the RealNetworks, Inc. 2005 Stock Incentive Plan, 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 Class 2 nominees to the board of directors, FOR the amendments to the RealNetworks, Inc. 2005 Stock Incentive Plan, 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 approval of amendments to the RealNetworks, Inc. 2005 Stock Incentive Plan (Proposal 2), the advisory vote on executive compensation (Proposal 3) and the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the current fiscal year (Proposal 4), 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 4), 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), the amendment to the RealNetworks, Inc. 2005 Stock Incentive Plan (Proposal 2), and the advisory vote on executive compensation (Proposal 3). 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 2015 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 2015 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 2015 annual meeting has been changed by more than 30 days from the date of our 2014 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 2015 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 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 2015 annual meeting has been changed by more than 30 days from the date of our 2014 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.

How can shareholders communicate 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.

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>.

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 2 directors, whose terms will expire at the Annual Meeting and whom the board of directors nominates for election by the shareholders, are Janice Roberts and Michael B. Slade. If elected, Ms. Roberts and Mr. Slade will serve as directors until our annual meeting of shareholders in 2017 and until their respective successors are 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 following the Annual Meeting.

John E. Cunningham, IV and Robert Glaser are Class 3 directors whose terms expire at the 2015 annual meeting of shareholders. Michael T. Galgon, Dawn G. Lepore, and Dominique Trempont are Class 2 directors whose terms expire at the 2016 annual meeting of shareholders.

Ms. Roberts and Mr. Slade 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 Ms. Roberts and Mr. Slade 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.

Nominees for Director

Class 2 Director Nominees

	Biographical Information	Specific Experience, Qualifications and Skills
<p>Janice Roberts</p> <p>Age 58</p> <p>Director since 2010</p>	<p>Ms. Roberts serves as a Partner on the investment team of Benhamou Global Ventures, an early-stage venture capital firm based in Silicon Valley. From 2000 to 2013, Ms. Roberts served as Managing Director of Mayfield Fund where she continues as a venture advisor. Ms. Roberts' current areas of investment interest include enterprise information technology, mobile infrastructure and applications and the Internet of Things. From 1992 to 2002, 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, the investment division of 3Com Corporation, and Senior Vice President, Business Development and Global Marketing. Ms. Roberts managed a number of the new business 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 ARM Holdings, plc, a leading semiconductor IP company for mobile and consumer devices, since June 2011 and Zebra Technologies, an industry leader in enterprise asset tracking solutions, barcode and printing technologies, since October 2013. She also serves on the boards of directors of several private companies and the advisory boards of Illuminate Ventures and SALT Branding. Ms. Roberts serves as the President of the board of directors of the Ronald McDonald House at Stanford. She holds a Bachelor of Commerce degree (Honours) from the University of Birmingham in the United Kingdom.</p>	<p>Considered by our Board</p> <p>Senior leadership experience</p> <p>Management advisory experience</p> <p>Executive-level experience with technology companies, including companies focused on mobile and wireless communications technologies</p> <p>Experience investing in and advising early stage companies</p>
<p>Michael B. Slade</p> <p>Age 57</p> <p>Director since 2011</p>	<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, and NeXT Computer, Inc. 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>Experience through service as a director of public and private companies</p> <p>Senior executive leadership and business strategy experience</p> <p>Management advisory experience</p> <p>Executive-level experience with technology companies</p>

Experience through service
as a director of public and
private companies

Director Independence

The Board has determined that (i) Ms. Roberts is independent under the Nasdaq listing standards, (ii) Mr. Slade is not independent under the Nasdaq listing standards, and (iii) all directors who are not standing for election at the Annual Meeting, except for Mr. Glaser, are independent under the Nasdaq listing standards and the applicable rules promulgated by the Securities and Exchange Commission, or the SEC.

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

BOARD OF DIRECTORS

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.

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 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 Ms. Roberts and Mr. Slade. 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

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.

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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.

Board Leadership Structure

Effective July 28, 2014, Mr. Glaser, the Chairman of our Board, was appointed as our Chief Executive Officer; since July 2012, Mr. Glaser had served as our interim chief executive officer. 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.

Continuing Directors Not Standing for Election This Year

The following individuals are Class 3 directors whose terms continue until 2015:

	Biographical Information	Specific Experience, Qualifications and Skills Considered by our Board
<p>Robert Glaser Age 52 Director since 1994</p>	<p>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 and as interim Chief Executive Officer from July 2012 to 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.</p>	<p>Experience with technology companies through service as a founder, investor, executive and director</p> <p>Extensive historical knowledge of RealNetworks and the industries in which it operates</p>
<p>John E. Cunningham, IV Age 56 Director since 2012</p>	<p>Venture investing since 1991, Mr. Cunningham has served as a general partner of Clear Fir Partners, L.P., a venture capital investment partnership, since February 1998. Previously, he served as Chief Executive Officer of RealCom Office Communications Inc., a national telecom services company. Mr. Cunningham has served as a director of Blucora, Inc., a publicly traded company that owns several leading internet businesses, since July 1998 and as the Chairman of Blucora’s Board of Directors since January 2011. Mr. Cunningham also served as Lead Independent Director of Blucora from February 2010 through December 2010. Mr. Cunningham currently serves as a board member for several privately held companies, including AudienceScience, Inc., Qliance, Inc., and Guanxi.me, and he serves as an advisor to Petra Growth Funds II and III. Mr. Cunningham holds an M.B.A. from the University of Virginia and a B.S. in Economics from Santa Clara University.</p>	<p>Management advisory experience</p> <p>Experience with technology companies through service as a director, including as board chair, and as an investor</p> <p>Senior executive leadership and business strategy experience</p>

Management advisory and
finance experience

Experience investing in and
advising early stage
companies

Experience through service
as a director of public and
private companies

The following individuals are Class 1 directors whose terms continue until 2016:

	Biographical Information	Specific Experience, Qualifications and Skills Considered by our Board
<p>Michael T. Galgon</p> <p>Age 46</p> <p>Director</p> <p>since 2012</p>	<p>From April 2010 until its sale to Trulia, Inc. in August 2013, Mr. Galgon served as a director of Market Leader, Inc., a publicly traded company providing online technology and marketing solutions for real estate professionals. Previously, Mr. Galgon served as Chief Advertising Strategist for Microsoft Corporation from August 2007 until January 2009. In 1997, Mr. Galgon co-founded aQuantive, Inc., an internet media company, where he served in various roles, most recently as Chief Strategy Officer, from 1997 until the sale of aQuantive to Microsoft in August 2007. Prior to founding aQuantive, Mr. Galgon served as a full-time volunteer with AmeriCorps VISTA from October 1994 to October 1995 and as an officer in the U.S. Navy from 1990 to 1994. Mr. Galgon currently serves as a director of several privately held companies and of Global Partnerships, a Seattle-based nonprofit microfinance organization. Mr. Galgon holds an M.B.A. from the Harvard Business School and an A.B. in economics from Duke University.</p>	<p>Senior executive leadership and business strategy experience</p> <p>Significant experience, expertise and background with regard to business matters</p> <p>Experience through service as a director of public and private companies</p>
<p>Dawn G. Lepore</p> <p>Age 60</p> <p>Director</p> <p>since 2013</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 & Co, Inc., a financial holding company, holding several leadership positions, most notably Vice Chairman of Technology, Active Trader, Operations, Business 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 has served on the boards of directors of AOL Inc. since October 2012 and Coupons.com Inc. since February 2012. She previously served on the board of directors of 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. Ms. Lepore holds a B.A. degree from Smith College.</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 to business, accounting and financial matters</p> <p>Experience through service as a director of public and private companies</p>

		Biographical Information	Specific Experience, Qualifications and Skills Considered by our Board
Dominique Trempont		<p>Mr. Trempont has served as a director of Daily Mail and General Trust plc, a producer of content, information analytics and events for businesses and consumers, since February 2011. Mr. Trempont has also served as a director of Energy Recovery, Inc., a manufacturer of efficient energy recovery devices utilized in the water desalination industry, since July 2008. 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. 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 cloud service company focused on enterprise self-service applications, from 1999 to 2002. Mr. Trempont was President and CEO of Gemplus Corporation, a smart card 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 the privately held companies on24, Inc., Risk Management Solutions, Inc., and Trion Worlds, Inc. Mr. Trempont earned an undergraduate degree in Economics from College St. Louis (Belgium), a B.A. with high honors in Business Administration and Software Engineering (LSM) from the University of Louvain (Belgium) and a master's degree in Business Administration from INSEAD (France/Singapore).</p>	Senior leadership experience
Age 60			Management advisory experience
Director since 2010			Financial expertise
			Executive-level experience with technology companies
			Experience through service as a director of public and private companies

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, 2013 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. 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.

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 30, 2014 was as follows:

Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Dominique Trempont (chair)		John E. Cunningham, IV (chair)
John E. Cunningham, IV	Janice Roberts (chair)	Janice Roberts
Michael T. Galgon	Michael T. Galgon	
	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 2013, Messrs. Trempont and Cunningham served on the Audit Committee for the entire year, Mr. Galgon served on the Audit Committee from November 12 through the end of the year, and Ms. Raina served on the Audit Committee from January 1 through the end of her board term on November 12. 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 six times and acted by written consent two times during the fiscal year ended December 31, 2013.

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 2013, Ms. Roberts and Messrs. Galgon and Trempont served on the Compensation Committee for the entire year, and Ms. Lepore served on the Compensation Committee from October 23 through the end of the 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 eight times and acted by written consent two times during the fiscal year ended December 31, 2013.

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 2013, the Compensation Committee engaged Frederic W. Cook & Co., Inc. as its independent compensation consultant to provide analyses and make recommendations concerning 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 2013, Ms. Raina served as chair of the Nominating and Corporate Governance Committee until June 17, 2013, at which time Mr. Cunningham took over as chair of the committee. Mr. Cunningham and Ms. Roberts served on the Nominating and Corporate Governance Committee for the entire year, and Ms. Raina served on the Nominating and Corporate Governance Committee from January 1 through the end of her board term on November 12. 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 five times and acted by written consent one time during the fiscal year ended December 31, 2013.

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 November 12, 2013.

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 at <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.

VOTING SECURITIES AND PRINCIPAL HOLDERS

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth, as of July 25, 2014 (the table date), information regarding beneficial ownership of our common stock by (a) each person known to us to be the beneficial owner of more than five percent of our outstanding common stock, (b) each director, (c) our named executive officers for the 2013 fiscal year, and (d) all of our current executive officers and directors as a group. Percentage of beneficial ownership is based on 35,995,569 shares outstanding as of the table date. 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.

Name of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned(1)	Percentage of Common Stock Outstanding
Robert Glaser(2)	12,997,529	35.9%
Ariel Investments, LLC(3)	2,515,722	7.0
Dimensional Fund Advisors LP(4)	2,357,754	6.6
T. Rowe Price Associates, Inc.(5)	2,261,813	6.3
John E. Cunningham, IV(6)	32,648	*
Michael T. Galgon(7)	29,026	*
Dawn G. Lepore(8)	18,582	*
Janice Roberts(9)	54,836	*
Michael B. Slade(10)	42,079	*
Dominique Trempont(11)	55,665	*
Michael Parham(12)	90,415	*
Max Pellegrini(13)	175,000	*
Scott Uomoto**		*
Tim Wan(14)	187,395	*
All directors and executive officers as a group (12 persons)(15)	13,683,175	37.2%

* Less than 1%.

** Mr. Uomoto has departed from RealNetworks as of the table date.

- (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) 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 142,025 shares of common stock issuable upon exercise of options exercisable within 60 days of the table date.
- (3) Information is based on a Schedule 13G filed with the SEC on February 14, 2014 by Ariel Investments, LLC. Ariel reported that as of December 31, 2013, it beneficially owned an aggregate of 2,515,722 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 February 10, 2014 by Dimensional Fund Advisors LP. Dimensional reported that as of December 31, 2013, it beneficially owned an aggregate of 2,357,754 shares of common stock and that its address is Palisades West, 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 to certain other commingled 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.
- (5) Information is based on a Schedule 13G filed with the SEC on February 12, 2014 by T. Rowe Price Associates, Inc. wherein it reported that as of December 31, 2013, it beneficially owned an aggregate of 2,261,813 shares of common stock and that its address is 100 E. Pratt Street, Baltimore, Maryland 21202. These securities are owned by various individual and institutional investors including T. Rowe Price Science & Technology Fund, Inc. which owns 919,387 shares, representing 2.5% of the shares outstanding, for which T. Rowe Price Associates, Inc. (Price Associates) serves as an investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.
- (6) Includes 20,313 shares of common stock issuable upon exercise of options exercisable within 60 days of the table date and 5,123 RSUs that are scheduled to vest within 60 days of the table date.
- (7) Includes 18,229 shares of common stock issuable upon exercise of options exercisable within 60 days of the table date and 5,123 RSUs that are scheduled to vest within 60 days of the table date.
- (8) Includes 13,020 shares of common stock issuable upon exercise of options exercisable within 60 days of the table date and 5,123 RSUs that are scheduled to vest within 60 days of the table date.
- (9) Includes 31,770 shares of common stock issuable upon exercise of options exercisable within 60 days of the table date and 5,123 RSUs that are scheduled to vest within 60 days of the table date.
- (10) Includes 25,000 shares of common stock issuable upon exercise of options exercisable within 60 days of the table date and 5,123 RSUs that are scheduled to vest within 60 days of the table date.
- (11) Includes 32,291 shares of common stock issuable upon exercise of options exercisable within 60 days of the table date and 5,123 RSUs that are scheduled to vest within 60 days of the table date.
- (12) Includes 88,598 shares of common stock issuable upon exercise of options exercisable within 60 days of the table date.
- (13) Includes 175,000 shares of common stock issuable upon exercise of options exercisable within 60 days of the table date.
- (14) Includes 165,599 shares of common stock issuable upon exercise of options exercisable within 60 days of the table date.
- (15) Includes an aggregate of 774,345 shares of common stock issuable upon exercise of options exercisable within 60 days of the table date and 30,738 RSUs that are scheduled to vest within 60 days of the table date.

Section 16(a) Beneficial Ownership Reporting Compliance

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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 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 2013, 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.

Compensation Committee Interlocks and Insider Participation

From January 1, 2013 to October 23, 2013, the Compensation Committee was composed of Ms. Roberts and Messrs. Galgon and Trempont. Ms. Lepore was appointed as a member of the Compensation Committee as of October 23, 2013. In 2013, 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.

PROPOSAL 2 AMENDMENTS TO THE REALNETWORKS, INC; 2005 STOCK INCENTIVE PLAN

The Board of Directors of RealNetworks is seeking shareholder approval of an amendment and restatement of the RealNetworks, Inc. 2005 Stock Incentive Plan (including the amendments that are the subject of this Proposal 2, the 2005 Plan) to:

- (i) increase by 5,000,000 the number of shares of common stock reserved under the 2005 Plan,
- (ii) set certain limits on the number of shares or value of awards that may be granted under the 2005 Plan to non-employee members of the Board of Directors during any 12-month period,
- (iii) provide certain terms and conditions with respect to awards of restricted stock units granted under the 2005 Plan,
- (iv) specify the treatment of outstanding awards under the 2005 Plan upon a dissolution or liquidation of RealNetworks, and
- (v) specify that the 2005 Plan will terminate on July 24, 2024 (collectively, the Amendment).

Except for the Amendment, the 2005 Plan has not been amended in any material way since shareholders last approved the 2005 Plan at our 2009 Annual Meeting of Shareholders. In the event shareholders do not approve the proposed Amendment, the proposed Amendment will not take effect and the 2005 Plan will continue to be administered in its current form.

The Board of Directors believes the future success of RealNetworks depends on the ability to attract and retain talented employees, and the ability to grant equity awards is a necessary and powerful recruiting and retention tool for RealNetworks to obtain the quality employees it needs to move its business forward. Shareholders are being asked to approve the Amendment to the 2005 Plan so that RealNetworks can continue to attract and retain outstanding and highly skilled employees, including key executive officers. If the proposed Amendment to the 2005 Plan is not approved by RealNetworks shareholders, awards will continue to be made under the 2005 Plan to the extent shares are available, and RealNetworks may not be able to continue its equity incentive program in the future. This could preclude RealNetworks from successfully attracting and retaining highly skilled employees and executive officers.

In determining the increase to the share reserve under the 2005 Plan, the Board of Directors considered a number of factors, including the following:

Number of Shares Available for Grant Under the 2005 Plan. As of June 30, 2014, 1,830,655 shares remained reserved and available for issuance under the 2005 Plan.

Overhang. Overhang measures the degree to which our shareholders' ownership may be diluted by stock-based compensation awarded under our equity program. As of June 30, 2014, (i) 6,908,224 shares

are subject to outstanding options under the 2005 Plan, (ii) 370,334 shares are subject to outstanding restricted stock units under the 2005 Plan, (iii) no shares are subject to outstanding options under the RealNetworks, Inc. 1995 Stock Option Plan, (iv) 205,215 shares are subject to outstanding options under the RealNetworks, Inc. 1996 Stock Option Plan, as amended and restated (the 1996 Plan), (v) 4,849 shares are subject to outstanding options under the RealNetworks 2000 Stock Option Plan, as amended (the 2000 Plan), and (vi) no shares are subject to outstanding options under the RealNetworks, Inc. 2002 Director Stock Option Plan (the 2002 Plan). (The 1996 Plan, the 2000 Plan and the 2002 Plan were terminated in June 2005 and therefore, no additional equity awards have been granted since the plans' termination or will be granted in the future under the terminated plans.) If we assume that the Amendment to the 2005 Plan is approved by shareholders and in effect as of the same date, our overhang will be 14.9%. For this purpose, we calculated overhang as the number of shares subject to equity awards outstanding on June 30, 2014, divided by the sum of the number of our shares outstanding as of the proxy record date, the number of shares subject to equity awards outstanding on June 30, 2014, the number of shares remaining available for issuance under the 2005 Plan, and the proposed increase in shares available for issuance under the 2005 Plan.

Burn Rate. Burn rate measures our usage of shares for our stock plans as a percentage of our outstanding stock. For 2013, 2012 and 2011, our net burn rate was 5.45%, -0.41%, and 4.35%, respectively, and our average annual net burn rate for this three-year period was 3.13%. We calculate net burn rate as the number of shares subject to awards granted during the fiscal year, net of any forfeitures during that period, divided by the weighted average number of shares outstanding during the fiscal year. In order to measure the actual dilutive impact of our equity award program, our burn rate calculation includes the impact of any forfeitures of awards as we believe that dilution is impacted not only by the issuance of shares subject to awards but also by the replenishment of shares into the equity program that results from forfeitures, cancellations and terminations of awards. It should be noted that this practice of measuring net usage differs from the practice advocated by many proxy advisory firms. These firms analyze usage based upon the gross burn rate, calculated without regard to forfeitures. For 2013, 2012 and 2011, our gross burn rate was 10.72%, 8.48%, and 8.10%, respectively, and our average annual gross burn rate for this three-year period was 9.10%. It should be noted that, as discussed in the section of this proxy statement entitled, Compensation Discussion and Analysis, during this three-year period, RealNetworks experienced a significant amount of executive turnover, which required high levels of equity award activity while executives were being recruited and retained but also resulted in high levels of forfeitures as executives departed from the company. We believe that both the awards and the forfeitures are important factors to analyze in the assessment of share usage under our equity program.

Forecasted Grants. The Board of Directors anticipates that the proposed share increase to the 2005 Plan, based on currently projected share use, will be sufficient for the granting of equity awards through approximately mid-2017. The forecast is based on the expectations that, on an annual basis for the next three years, (i) RealNetworks will grant options and restricted stock units covering approximately 3,000,000 shares; and (ii) approximately 1,000,000 shares will be cancelled or forfeited under outstanding options and restricted stock units. The net grants (that is, grants less cancellations and forfeitures) during the next three years will be approximately 2,000,000 shares. As a result, we anticipate that we will not need to request additional shares under the 2005 Plan until late 2017. Despite the projected share use described above, future circumstances and business needs may dictate a different result.

The 2005 Plan, as amended and restated, provides that during any 12-month period, a non-employee member of the Board of Directors may receive under the 2005 Plan up to a maximum of (i) 650,000 shares subject to options or stock appreciation rights, (ii) 300,000 shares subject to restricted stock, performance shares/units, restricted stock units and other share-based awards, and (iii) an additional \$1 million with respect to performance shares/units or other share-based awards that are denominated in cash. In addition, as amended, the 2005 Plan specifies the terms and conditions under which awards of restricted stock units may be granted thereunder. Prior to this Amendment, restricted stock units were granted under the terms and conditions that generally govern all types of share-based awards that are not awards of options, stock appreciation rights,

restricted stock, performance shares or performance units. Further, the 2005 Plan, as amended and restated, specifies that in the event of RealNetworks' dissolution or liquidation, holders of outstanding awards granted under the 2005 Plan will receive a notice regarding the treatment of their awards in connection with the proposed transaction, and to the extent not vested (and, if applicable, exercised), the awards will terminate immediately prior to the completion of the proposed transaction. Prior to the Amendment, the 2005 Plan would terminate on December 17, 2019. The 2005 Plan, as amended and restated, provides that the 2005 Plan will terminate on July 24, 2024.

The 2005 Plan, as amended and restated to reflect the Amendment proposed in this proxy statement, is attached as Appendix A to this Proxy Statement. The following summary of the 2005 Plan does not contain all of the terms and conditions of the 2005 Plan, and is qualified in its entirety by reference to the 2005 Plan. You should refer to Appendix A for a complete set of terms and conditions of the 2005 Plan.

Summary of the 2005 Stock Incentive Plan, as Amended and Restated

Purpose. The purpose of the 2005 Plan is to assist RealNetworks in attracting and retaining highly skilled individuals to serve as employees, directors, consultants and/or advisors of RealNetworks who are expected to contribute to RealNetworks' success and to achieve long-term objectives which will inure to the benefit of all shareholders of RealNetworks through the additional incentives inherent in the awards offered under the 2005 Plan.

Shares Available for Issuance. Shareholders are being asked to approve an increase of an additional 5,000,000 shares to be made available for issuance under the 2005 Plan. At June 30, 2014, 7,710,822 shares were subject to outstanding awards (at full value) and 1,830,655 shares were available for future award under the 2005 Plan. Upon shareholder approval of the 2005 Plan, a total of 14,541,477 shares of Common Stock will be available for issuance under the 2005 Plan. Any shares subject to Awards other than options and stock appreciation rights that were granted on or after December 17, 2009, count against the share reserve limits as one and six-tenths (1.6) shares for every one (1) share granted. If, after December 17, 2009, any shares subject to awards granted under the 2005 Plan or the Company's 1996 Stock Option Plan, 2000 Stock Option Plan, 2002 Director Stock Option Plan, or Director Compensation Stock Plan (the "Prior Plans") are forfeited or expire, or are settled in cash, the shares will become available for grant under the 2005 Plan. Shares that are tendered or withheld in payment of the purchase price of an option under the 2005 Plan or a Prior Plan or to satisfy the tax withholding obligations with respect to an option or stock appreciation right under the 2005 Plan or a Prior Plan, shares that are not issued under a stock appreciation right under the 2005 Plan or a Prior Plan in connection with its stock settlement upon exercise, and shares reacquired by RealNetworks on the open market or otherwise using cash proceeds from the exercise of options under the 2005 Plan or a Prior Plan will not become available for future grants or sale under the 2005 Plan. Shares under the 2005 Plan may be authorized and unissued shares or shares purchased in the open market or otherwise.

Eligibility; Awards to be Granted to Certain Individuals and Groups. Options, stock appreciation rights, performance shares, performance units, restricted stock awards, restricted stock units, and any other share-based awards, rights, interests or options based on shares or other property (for example, deferred stock units) may be granted under the 2005 Plan. Options granted under the 2005 Plan may be either incentive stock options, as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or nonstatutory stock options. Options, stock appreciation rights, performance shares/units, restricted stock awards, restricted stock units and other share-based awards may be granted under the 2005 Plan to any non-employee member of the Board of Directors, or any employee, consultant or advisor who provides services to RealNetworks or any subsidiary of RealNetworks. Incentive stock options may be granted only to employees of RealNetworks or of any subsidiary of RealNetworks. As of June 30, 2014, approximately 900 employees, six non-employee directors, and three consultants and advisors would be eligible to participate in the 2005 Plan. The 2005 Plan provides that, to the extent intended to qualify as performance-based compensation under Code Section 162(m), no person(s) may be granted, in any 12-month period, options or stock appreciation rights to purchase more than 2 million shares of common stock, or performance shares/units, restricted stock awards and/or other share-based

awards that are denominated in shares covering more than 900,000 shares of common stock, or performance shares/units that are denominated in cash of more than \$3 million.

Subject to stockholder approval of the Amendment to the 2005 Plan under this proposal, non-employee members of the Board may be granted, in any 12-month period, options or stock appreciation rights to purchase up to 650,000 shares of common stock and performance shares/units, restricted stock awards and/or other share-based awards that are denominated in shares covering up to 300,000 shares of common stock, as well as up to an additional \$1 million with respect to performance shares/units that are denominated in cash.

Administration. The 2005 Plan is administered by the Compensation Committee of the Board of Directors (the Committee). The Committee selects the person(s) to whom awards may be granted under the 2005 Plan, the type of award to be granted, the number of shares subject to each award and other terms and conditions of awards, as well as approve the forms of award agreements pursuant to which awards will be granted. The Committee also has the authority to amend awards granted under the 2005 Plan, subject to the terms of the 2005 Plan. The Committee may establish procedures for the deferral of payment of an award and, subject to the terms of the 2005 Plan and applicable award agreements, the Committee may provide for dividend equivalents with respect to awards other than options and stock appreciation rights. The Committee interprets the 2005 Plan and award agreements, establishes rules appropriate for the administration of the 2005 Plan, and makes or takes any other determinations or actions that are necessary or desirable for administering the 2005 Plan. The Committee may delegate authority under the 2005 Plan to one or more directors or executive officers of RealNetworks, to the extent permitted by any applicable laws, rules and regulations.

Terms and Conditions of Options. Each option is evidenced by a stock option agreement between RealNetworks and the optionee, and is subject to the following additional terms and conditions:

Exercise Price. The exercise price of options granted under the 2005 Plan shall be determined by the Committee at the time the options are granted. The exercise price of an option may not be less than 100% of the fair market value of the Common Stock on the date such option is granted; provided, however, the exercise price of an incentive stock option granted to a 10% shareholder may not be less than 110% of the fair market value of the Common Stock on the date such option is granted. The fair market value of the Common Stock is generally determined with reference to the closing price for the Common Stock on the date the option is granted (or if no price was reported on such date, on the next date on which the price was reported).

Exercise of Option; Form of Consideration. The Committee determines when options become exercisable, and may in its discretion, accelerate the vesting of any outstanding option. The 2005 Plan permits payment to be made by cash, check, other shares of Common Stock of RealNetworks, net exercise, cashless exercise, any other form of consideration approved by the Committee and permitted by applicable law, or any combination thereof.

Term of Option. Options granted under the 2005 Plan may expire no later than seven (7) years from the date of grant, except in the event of death or disability, and in the case of an incentive stock option granted to a 10% shareholder, the term of the option may be no more than five (5) years from the date of grant. No option may be exercised after the expiration of its term.

Stock Appreciation Rights. The Committee is authorized to grant stock appreciation rights in connection with all or any part of an option granted under the 2005 Plan, either concurrently with the grant of the option or at any time thereafter, and to grant stock appreciation rights independently of options and other awards. A stock appreciation right granted in connection with an option is exercisable only when and to the extent that the underlying option is exercisable, and expires no later than the date on which the underlying option expires. Independent stock appreciation rights are exercisable in whole or in part at such times as the Committee specifies in the grant or agreement. However, the exercise price of an independent stock appreciation right may not be less than 100% of the fair market value of the Common Stock on the date of grant and the term of the award may be no more than seven (7) years from the date of grant.

RealNetworks obligations arising upon the exercise of a stock appreciation right may be paid in cash, Common Stock or other property, or any combination of the same, as the Committee may determine. Shares

issued upon the exercise of a stock appreciation right are valued at their fair market value as of the date of exercise.

Restricted Stock Awards. Restricted stock awards may be issued to participants either alone or in addition to other awards granted under the 2005 Plan, and shall also be available as a form of payment of performance shares/units and other earned cash-based incentive compensation. Subject to the annual share limit described above, the Committee determines the terms of restricted stock awards, which are set forth in an award agreement. Unless the Committee determines otherwise, a holder of restricted stock will have rights as a RealNetworks shareholder, including the right to vote and receive distributions with respect to the underlying shares, provided that any distributions on unvested shares will be subject to the same restrictions as the shares upon which the distribution was paid. The Committee may waive the forfeiture period and any other conditions of a restricted stock award to the extent that the award is not intended to qualify as performance-based compensation under Code Section 162(m).

Performance Shares and Performance Units. Performance shares and performance units are awards that result in a payment to the holder of the award if performance goals and/or other vesting criteria are achieved or the awards otherwise vest. The performance goals and applicable performance period are determined by the Committee. Awards of performance shares and performance units may be paid in cash, shares of Common Stock, other property, or a combination thereof, as determined by the Committee, in its sole discretion.

Restricted Stock Units. Restricted stock units represent a right to receive shares of Common Stock at a future date. No monetary payment is required for receipt of restricted stock units or the shares issued in settlement of the award, the consideration for which is furnished in the form of the participant's service to RealNetworks. Prior to the Amendment, restricted stock units were granted pursuant to the terms that apply generally to all other types of awards, as described below. As amended, the 2005 Plan sets forth additional terms that apply to restricted stock unit awards granted under the 2005 Plan. Subject to the annual share limit described above, the Committee determines the terms of restricted stock units, which are set forth in an award agreement. The Committee may reduce or waive the vesting criteria that must be met to receive a payout to the extent that the restricted stock unit award is not intended to qualify as performance-based compensation under Code Section 162(m). Awards of restricted stock units may be paid in cash, shares of Common Stock, or a combination thereof, as determined by the Committee.

Other Awards. Other awards of shares or awards valued by reference to shares or other property may be granted under the 2005 Plan, which awards also may be used as a form of payment of other awards granted under the 2005 Plan or other earned cash-based compensation. The terms of the award will be described in an award agreement or a sub-plan forming part of the 2005 Plan. Payment on other awards granted under the 2005 Plan may be made in cash, shares of Common Stock, other property or a combination thereof, as determined by the Committee.

Code Section 162(m) Performance Goals. The 2005 Plan is designed to permit (but not require) RealNetworks to issue awards intended to qualify as performance-based compensation under Code Section 162(m). Thus, the Committee may require achievement of specified levels of performance with respect to performance goals, in order for an award to vest. At the Committee's discretion, one or more of the following performance goals may apply: net revenue; revenue growth; earnings per share; net income; division, group or corporate financial goals; total shareholder return; attainment of strategic and operational initiatives; appreciation in and/or maintenance of the price of the common stock or any other publicly-traded securities of RealNetworks; market share; gross profits; earnings before taxes; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; comparisons with various stock market indices; reductions in costs; cash flow; cash flow per share; return on invested capital; cash flow return on investment; and improvement in or attainment of expense levels on working capital levels of RealNetworks or any subsidiary, division, business segment or business unit of RealNetworks for or within which the award holder is primarily employed. Such performance goals also may be based solely by reference to RealNetworks' performance or the performance of a subsidiary, division, business segment or business unit of RealNetworks, or based upon the relative performance of other companies or upon comparisons of any of the indicators of performance relative to other companies. The

Committee may also exclude the impact of an event or occurrence which the Committee determines should appropriately be excluded, including (a) restructurings, discontinued operations, extraordinary items, and other unusual or non-recurring charges, (b) an event either not directly related to the operations of RealNetworks or not within the reasonable control of RealNetworks' management, or (c) the cumulative effects of tax or accounting changes in accordance with generally accepted accounting principles. With respect to awards intended to comply with the Code Section 162(m) provisions of the 2005 Plan, the Committee may adjust downwards, but not upwards, the amount payable under an award, and the Committee may not waive achievement of applicable performance goals except as permitted by Code Section 162(m).

No Repricing. The 2005 Plan prohibits option or stock appreciation right repricings (other than to reflect stock splits, spin-offs or other corporate events) unless shareholder approval is obtained.

Nontransferability of Awards. Unless authorized by the Committee, an award granted under the 2005 Plan is not transferable other than by will or the laws of descent and distribution, and may be exercised during the award holder's lifetime only by the award holder or his or her guardian or legal representative.

Adjustments Upon Changes in Capitalization. In the event of any merger, reorganization, consolidation, recapitalization, dividend or distribution (whether in cash, shares, other securities or other property, other than a regular cash dividend), stock split, reverse stock split, spin-off, split-up, combination, repurchase or exchange of shares or other securities of the RealNetworks or similar transaction or other change in corporate structure of RealNetworks affecting shares or the value of shares, appropriate adjustments or substitutions shall be made in the number, kind and class of shares that may be issued under the 2005 Plan, the maximum number of shares that may be granted as incentive stock options, the number, kind and class of shares of awards outstanding under the 2005 Plan, the annual limits on the number (or value) of awards that any person may receive and the exercise price of any outstanding option or stock appreciation right.

Change of Control. The Committee may provide in an award agreement that, upon a Change of Control of RealNetworks (as that term is defined in the agreement evidencing an award or otherwise as defined in the 2005 Plan), (a) options and stock appreciation rights outstanding as of the date of the Change of Control immediately vest and become fully exercisable or may be cancelled and terminated without payment if the fair market value of one share of RealNetworks' Common Stock as of the date of the Change of Control is less than the per share option exercise price or stock appreciation right grant price, (b) restrictions and deferral limitations on restricted stock awards lapse and the restricted stock becomes fully vested, (c) performance shares and performance units shall be considered earned and payable (either in full or pro rata based on the portion of performance period completed as of the date of the Change of Control), and any deferral or other restriction shall lapse and such performance awards shall be immediately settled or distributed, and (d) the restrictions and deferral limitations and other conditions applicable to any restricted stock units and other awards shall lapse, and such restricted stock units and other awards shall become fully vested and transferable. Unless otherwise provided in the award agreement, an award that is assumed or substituted by the successor company will not accelerate vesting. An award agreement may provide for accelerated vesting upon a termination of employment within a specified period following a Change of Control. The Committee may determine that, upon the occurrence of a Change of Control of RealNetworks, each option and stock appreciation right outstanding shall terminate within a specified number of days after notice to the participant, and/or that each participant shall receive, with respect to each share of Common Stock subject to such option or stock appreciation right, an amount equal to the excess of the fair market value of such share immediately prior to the occurrence of such Change of Control over the exercise price per share of such option and/or stock appreciation right; such amount to be payable in cash, in one or more kinds of stock or property, or in a combination thereof, as the Committee, in its discretion, shall determine.

Dissolution or Liquidation. Subject to shareholder approval of this proposal to amend the 2005 Plan, the 2005 Plan will provide that in the event of a proposed dissolution or liquidation of RealNetworks, the Committee will notify award holders as soon as practicable before the date of the proposed transaction. To the extent an option or stock appreciation right has not been exercised, or an award other than an option or stock appreciation right has not vested, the award will terminate immediately prior to the consummation of the proposed dissolution or liquidation.

Termination of Employment. The Committee determines the terms of exercisability of an award upon and following the award holder's termination of service to RealNetworks or its subsidiaries, whether by reason of death, disability, voluntary or involuntary termination of employment or services, or otherwise.

Amendment and Termination of the Restated 2005 Plan. The Board may amend, alter, suspend or terminate the 2005 Plan, or any part thereof, at any time and for any reason, subject to shareholder approval as required by applicable law and subject to the terms of the 2005 Plan. No such action by the Board or shareholders may impair the rights of an award holder under any award previously granted under the 2005 Plan without the consent of the award holder. The 2005 Plan currently in effect became effective on December 17, 2009, and would terminate automatically on the tenth anniversary of its effective date, except with respect to awards then outstanding under the 2005 Plan. Subject to shareholder approval of the 2005 Plan, the 2005 Plan will terminate on the tenth anniversary of the Board's most recent adoption of the 2005 Plan on July 24, 2014, except with respect to awards then outstanding under the 2005 Plan.

Other Provisions. The Committee may determine and set forth in an award agreement that the award and/or the gain realized on the vesting or exercise of the award be forfeited if the award holder, without RealNetworks' consent, engages in activity that violates any agreement between the award holder and RealNetworks or its subsidiaries or upon the occurrence of other specified events, whether while providing services or following termination of service.

Federal Income Tax Consequences. The following discussion summarizes certain federal income tax considerations for U.S. taxpayers receiving awards under the 2005 Plan and certain tax effects on RealNetworks, based upon the provisions of the Code, as in effect on the date of this proxy statement, current regulations and existing administrative rulings of the Internal Revenue Service. However, it does not purport to be complete and does not discuss the provisions of the income tax laws of any municipality, state or foreign country in which the participant may reside. Tax consequences for any particular individual may be different.

Incentive Stock Options. An optionee who is granted an incentive stock option does not recognize taxable income at the time the option is granted or upon its exercise, although the exercise may subject the optionee to the alternative minimum tax. Upon an optionee's sale of the shares (assuming that the sale occurs more than two years after grant of the option and more than one year after exercise of the option), the difference between the sale price over the exercise price will be taxed to the optionee as long-term capital gain. If the optionee disposes of the shares prior to the expiration of the above holding periods, then the optionee will recognize ordinary income in an amount generally measured as the difference between the lower of the fair market value of the shares at the exercise date or the sale price of the shares, over the exercise price.

Nonstatutory Stock Options. An optionee does not recognize any taxable income at the time he or she is granted a nonstatutory stock option. Upon exercise, the optionee recognizes taxable income generally measured by the excess of the then fair market value of the shares over the exercise price. Upon a disposition of such shares by the optionee, any additional gain or loss would be treated as long-term or short-term capital gain or loss, depending on the holding period.

Stock Appreciation Rights. No income will be recognized by a recipient in connection with the grant of a stock appreciation right. When the stock appreciation right is exercised, the award holder generally will be required to include as taxable ordinary income in the year of exercise an amount equal to the sum of the amount of any cash received and the fair market value of any Common Stock or other property received upon the exercise. Any additional gain or loss recognized upon any later disposition of the shares of Common Stock or other property would be treated as long-term or short-term capital gain or loss, depending on the holding period.

Restricted Stock, Performance Shares and Performance Units. A participant will not have taxable income upon grant of restricted stock, performance shares, performance units or other awards (unless, with respect to restricted stock, he or she elects to be taxed at that time). Instead, he or she will recognize ordinary income at the time of vesting equal to the fair market value (on the vesting date) of the vested shares or cash received minus any amount paid for the shares. However, the recipient of a restricted stock award may elect to recognize income at the time he or she receives the award in an amount equal to the fair market value of the shares underlying the award (less any cash paid for the shares) on the date of grant.

Company Tax Deduction. RealNetworks generally will be entitled to a tax deduction in connection with an award under the 2005 Plan in an amount equal to the ordinary income realized by a participant and at the time the participant recognizes such income (for example, the exercise of a nonqualified stock option). Special rules limit the deductibility of compensation paid to the Chief Executive Officer and to each of the three other most highly compensated executive officers (other than our Chief Executive Officer and our Chief Financial Officer). Under Section 162(m) of the Code, the annual compensation paid to any of these specified executives will be deductible only to the extent that it does not exceed \$1,000,000. However, RealNetworks can preserve the deductibility of certain compensation in excess of \$1,000,000 if the conditions of Section 162(m) are met with respect to awards. These conditions include shareholder approval of the 2005 Plan, setting individual annual limits on each type of award, and establishing performance criteria that must be met before the award actually will vest or be paid. The 2005 Plan has been designed to permit the Committee to grant certain awards that are intended to qualify as performance-based for purposes of satisfying the conditions of Section 162(m), thereby permitting RealNetworks to receive a federal income tax deduction in connection with such awards.

Section 409A. Section 409A of the Code (Section 409A) provides certain requirements for non-qualified deferred compensation arrangements with respect to an individual's deferral and distribution elections and permissible distribution events. Awards granted under the 2005 Plan with a deferral feature will be subject to the requirements of Section 409A. If an award is subject to and fails to satisfy the requirements of Section 409A, the recipient of that award may recognize ordinary income on the amounts deferred under the award, to the extent vested, which may be prior to when the compensation is actually or constructively received. Also, if an award that is subject to Section 409A fails to comply with Section 409A's provisions, Section 409A imposes an additional 20% federal income tax on compensation recognized as ordinary income, as well as interest on such deferred compensation.

Awards Granted to Certain Individuals and Groups. The actual number of stock options, restricted stock units and other awards (if any) that may be granted under the 2005 Plan is discretionary and therefore cannot be determined in advance. The following table sets forth certain information relating to equity awards granted in 2013 under the 2005 Plan to the listed persons and groups. As of June 30, 2014, the closing price of a share of RealNetworks Common Stock on NASDAQ was \$7.63.

Name and Position	Number of Options Granted	Average per Share Exercise Price (\$)	Number of Full Value Awards Granted (1)	Dollar Value of Full Value Awards Granted (\$)(1)
Robert Glaser <i>Founder, Chairman and Chief Executive Officer</i>	500,000	\$ 7.90	0	
Tim M. Wan <i>Senior Vice President, Chief Financial Officer and Treasurer</i>	200,000	\$ 7.79	0	
Michael Parham <i>Senior Vice President, General Counsel and Corporate Secretary</i>	120,000	\$ 7.79	0	
Max Pellegrini <i>President of Products and Marketing</i>	700,000	\$ 7.775	0	
Scott G. Uomoto <i>Former Senior Vice President, RealPlayer Group (2)</i>	150,000	\$ 7.79	0	
All current executive officers, as a group	1,670,000	\$ 7.82	0	
All current directors who are not executive officers, as a group	90,520	\$ 7.32	37,321	\$ 273,745
All employees who are not executive officers, as a group	1,667,290	\$ 7.32	192,787	\$ 1,377,564

(1) Full value awards include restricted stock units granted under the 2005 Plan.

(2) The individual no longer is eligible to participate in the 2005 Plan as a result of the termination of his employment with RealNetworks.

RealNetworks executive officers and non-employee directors have a financial interest in this proposal because they are eligible to receive awards under the 2005 Plan.

Summary

The Board believes strongly that the Amendment to the 2005 Plan is essential to RealNetworks continued success. Awards such as those granted under the 2005 Plan provide an important incentive and help RealNetworks to attract and retain employees and other service providers in the highly competitive labor market in which it operates.

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

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 2013

Overview. We made solid progress on our transition strategy during fiscal 2013, launching a new product in each of our three business units, completing a significant portion of our restructuring efforts, and building a solid foundation for future growth and profitability. Our founder and Chairman, Rob Glaser, continued to lead the company as interim chief executive officer, and our management team remained committed to propelling the company forward through the transition that was set in motion in August of 2012. Our plans for growth called for the launch of at least one major new product in each of our three business units. In line with this goal, our Mobile Entertainment business launched LISTEN, a new app and service for music lovers that reinvents the ringback tone experience for smartphone users, in the fourth quarter; our RealPlayer group introduced RealPlayer Cloud, the first integrated video player and cloud service, in the third quarter; and our Games division announced GameHouse Casino Plus, the first social game to use a sweepstakes offering life-changing cash prizes, in late July. Furthering our efforts to streamline our operations and reduce expenses, we moved our corporate headquarters within Seattle in August and more closely aligned our cost structure with our operations. We continue to look for opportunities to operate in a more lean and efficient manner. The transitional actions are intended to create sustainable growth and profitability for RealNetworks. Our go-forward compensation program, which is substantially pay-for-performance based, aims to encourage the performance necessary to drive toward these goals.

Financial Results. Our financial results for 2013 were reflective of our focus on building new products and driving down costs. Consolidated revenue declined 20% from 2012, as our efforts were diverted away from certain legacy products and toward the development of innovative, new products, and gross profit declined by 18%. Although operating expenses improved over 2012, our net income suffered due to restructuring costs, lease exit costs, and settlement costs necessary to resolve all of our outstanding litigation matters. Adjusted EBITDA fell from a loss of \$16.7 million in 2012 to a loss of \$23.7 million in 2013, primarily as we increased our spending on new product development. As a result of these financial results, annual cash incentives paid to our named executive officers were well below target levels.

Management Team. After experiencing significant turnover in our management team during 2011 and 2012, there was some year-over-year variation in our standard approach to executive compensation as different incentives have been required for recruitment and retention purposes. Since Mr. Glaser's return as our interim chief executive officer in July 2012, he and our Compensation Committee developed a more consistent 2013

compensation program designed to aggressively drive company performance by successfully executing our growth plan, strategic initiatives and restructuring efforts. There are still differences between officers, particularly between recent hires and those running divisions.

Our named executive officers for 2013 are:

Robert Glaser	Founder, Chairman and Chief Executive Officer (<i>served as interim CEO for all of 2013; named Chief Executive Officer effective July 28, 2014</i>)
Michael Parham	SVP, General Counsel and Corporate Secretary
Max Pellegrini	President, Products and Marketing (<i>commenced employment with RealNetworks on February 20, 2013</i>)
Tim M. Wan	SVP, Chief Financial Officer and Treasurer
Scott G. Uomoto	SVP, RealPlayer Group (<i>departed from RealNetworks on June 30, 2014</i>)

Pay for Performance. Consistent with our pay-for-performance philosophy, a substantial part of our executive compensation program consists of performance-based compensation.

During 2013, our named executive officers who participated in our annual performance-based cash incentive plan, which we also refer to as our MBO plan, were eligible to receive cash bonuses only upon achieving pre-established performance objectives, all of which were weighted toward financial and strategic objectives of our businesses.

We also relied more on performance-related equity awards, and granted a performance-based stock option to our newest executive officer. These awards would become eligible to vest only upon achievement of significant growth in our revenue and adjusted EBITDA over multiple years (subject to continued service with us).

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 operating income (loss) including other income (expense) net, but excluding the impact of the following: depreciation and amortization; acquisitions-related intangible asset amortization; stock-based compensation; impairment of deferred costs; restructuring and other charges; gain on sale of patents and other technology assets, net of costs; loss on litigation settlements; and lease exit and related charges.

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 cash bonus. We establish an MBO plan on an annual basis, under which our named executive officers (other than our interim chief executive officer) each have an opportunity to receive a cash bonus upon achievement of certain performance objectives derived from the internal

strategic plan we establish for the company each year. The cash bonuses are intended to motivate our executives to achieve our financial and strategic objectives. Cash bonuses are not guaranteed (other than as negotiated with Mr. Pellegrini in connection with his hire in 2013, as discussed below) and bonuses in 2013 were below the target opportunity provided to each named executive officer.

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.

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 2013 executive compensation packages also contained certain severance and change in control arrangements; some targeted, one-time bonuses; and retirement and other generally available 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. 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 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 performance and contributions. During 2013, our interim 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 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 when requested to do so by the Compensation Committee.

The Role of Peer Groups, Surveys and Benchmarking. Peer data have been referenced periodically for context, but were not used for benchmarking purposes for 2013 compensation decisions. The companies in the peer group used as a reference are listed below. During the summer of 2012, with the oversight of our Compensation Committee, F.W. Cook developed a peer group of companies for use in determining compensation arrangements for our interim chief executive officer, Rob Glaser, appointed in July 2012 (the iCEO Peer Group). The iCEO Peer Group included all but three of our peer group of companies that had been identified in a previous F.W. Cook compensation study, and included six additional companies. Specifically, Sonic Solutions was omitted because it was merged into another company in 2010 and THQ was omitted as it filed for bankruptcy in 2012. Monster Worldwide was omitted because it was deemed too much larger than our size at the time. The companies added to the iCEO Peer Group were Constant Contact, Limelight Networks, LogMeIn, OpenTable, Stamps.com, and XO Group. These companies were added because they were consumer-facing internet services companies with revenue and market cap between 0.25x and 4x our size at the time. Some of these companies have grown and may be larger today, but the pay data referenced was from a time period when they were within the similar revenue and market cap size range above. Further, the pay data referenced were only used for limited context in 2013, as there was an updated benchmark study completed in the fourth quarter for more up-to-date reference.

In October 2013, again with the oversight of our Compensation Committee, F.W. Cook performed an executive compensation review that included identifying a peer group of companies (the October 2013 Peer Group) to be used by us for the purpose of comparing our executive compensation to the market. The 17 peer group companies were publicly traded, U.S.-based internet and software companies, and were selected to reflect our smaller size following recent organizational changes and, in our view, were competitors of ours for purposes of recruiting executive talent. The companies comprising the October 2013 Peer Group are:

Avid Technology, Inc.	Harmonic Inc.	Shutterfly Inc.
Blucora, Inc.		Take-Two Interactive, Inc.
Blue Nile, Inc.	Limelight Networks, Inc.	Travelzoo Inc.
Constant Contact, Inc.	LogMeIn Inc.	ValueClick, Inc.
Dice Holdings, Inc.	Move Inc.	Vocus, Inc.
Digital River, Inc.	OpenTable Inc.	
	Rosetta Stone Inc.	

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 2013 annual meeting of shareholders, which took place in our fourth fiscal quarter, our shareholders approved the compensation of our named executive officers as disclosed in our 2013