

FREQUENTLY ASKED QUESTIONS

Q. What is a Patent?

A. A patent is a legal right to exclude others from making, using, offering for sale, or selling an invention for a limited period of time. Acacia's U.S. Patents expire in 2011. In the United States, patents are issued by the United States Patent and Trademark Office. For more information, go to www.uspto.gov.

Q. Where can I get more information about Acacia's DMT Technology and the patents?

A. To view engineering diagrams illustrating examples of how certain claims of Acacia's patents apply to your activities, please visit www.aciatechnologies.com and click on "Technology," then click on "Internet," and then select "Adult Entertainment." To see a list of the U.S. and foreign DMT patents owned by Acacia, or to view an actual copy of Acacia's U.S. DMT Patents covering the transmission and receipt of digital audio and/or video contents, please visit www.aciatechnologies.com and click on "Technology."

Q. I buy my hardware and software for transmitting videos from legitimate third party companies like Microsoft, Real Networks and Apple; why do I need a license from Acacia?

A. Even though you may purchase hardware and software products from a third party, certain uses of such products may infringe rights, such as patent rights, belonging to others.

Q. Exactly what am I doing on my Website that infringes Acacia's Patents?

A. Acacia's patents cover the process of transmitting and receiving digital audio and/or video content via several means, including the Internet. Activities such as showing previews of videos on a website, and sending video content via the Internet to a customer, use Acacia's DMT Technology and are covered by Acacia's patents.

Q. I use a third party to host and transmit my video content for me. Shouldn't Acacia be contacting them?

- A.** Under U.S. Patent Law, a party who encourages or contributes to the infringement by someone else may be held liable as an infringer. The License Agreements cover you and activities provided by your third party host on your behalf.
- Q.** **My customers get video content from my Content Provider. If my Content Provider has a license from Acacia, will it cover a Webmaster?**
- A.** No. The Content Provider License Agreement covers the preview of videos on the Content Provider's website and the transmission and receipt of digital audio/video content from the Content Provider to the Webmaster only. It does not cover the transmission and receipt of audio/video content from the Content Provider to the Webmaster's customers. The Webmaster License Agreement covers this activity.
- Q.** **If I sign the Webmaster License Agreement, will it also cover my Content Providers?**
- A.** No, see answer #5 above.
- Q.** **If I am a Content Provider and a Webmaster, do I need to sign two types of Agreements?**
- A.** Yes, see answer #5 above.
- Q.** **I own several websites that transmit video content. Will the license with Acacia cover all of my sites?**
- A.** All websites owned by you and your subsidiaries will be covered by the license, as long as they are legally owned by you or your subsidiaries and they are listed on Exhibit B of the Agreement.
- Q.** **How do I estimate my Gross Sales to determine the amount of the Initial Prepaid Royalty owed to Acacia?**
- A.** You should use your sales for the preceding 12-month period as a base. Then consider factors that are likely to occur over the next 12 months including pricing changes, new websites you may create, the amount of advertising you plan to do, acquisitions, etc.
- Q.** **What if I underestimate my Gross Sales?**
- A.** If you underestimate your projected Gross Sales to the extent that your actual Gross Sales qualify you for a higher royalty category than you selected, you will owe Acacia an Additional Royalty. See Section 3.3 of the Agreement.

Q. When will the license expire?

A. Provided that you continue to comply with the provisions of the Agreement, the license will last for 12 months. The Agreement will automatically and continually renew for another 12-month period, provided that neither you nor Acacia elect to terminate the Agreement and Acacia receives the Initial Prepaid Royalty covering the subsequent 12-month period by December 15 of the current year.

Q. How long do I have to decide whether to enter into a license with Acacia?

A. Acacia's offer to waive amounts due for past infringement and to license you at the discounted royalty rates set forth in the Agreement is a limited time offer. See the indicated offer expiration date.

Q. What if I don't enter into a license with Acacia?

A. Our preference is to enter into a license agreement with you without the need for patent litigation, which is very expensive. In the event that you elect to not return the signed Agreements and Initial Prepaid Royalty payment to us by the date indicated, Acacia will have the right to seek royalties for past and future infringing activities at rates that are higher than the rates set forth in the Agreement.