

September 14, 1981

MEMO TO: Distribution

FROM: Anita M. Hollensed

SUBJECT: 1982 General Instrument Contract Negotiations

A meeting will be held on Friday, September 18, at 10:30 in the 4th Floor Conference Room "A" to discuss the upcoming General Instrument contract negotiations. Your attendance at this preliminary meeting is crucial to the development of Mattel's negotiating strategy.

A copy of the current G.I. contract has been attached for your convenience. Please have your written comments and suggestions for the new contract prepared for Friday's meeting.

AMH:tb

Distribution:

J. Ballotti

R. Corl

J. Kemper

K. Meyers

J. Rall

R. Rambeau

C. Rudd

T. Whelan

~~_____~~
D. Chandler

Attachment

AGREEMENT OF SALE AND PURCHASE

AGREEMENT made the 1st day of November, 1980, by and between GENERAL INSTRUMENT CORPORATION, Microelectronics Division, a Delaware Corporation, with a place of business at 600 West John Street, Hicksville, New York ("Seller") and MATTEL, INC., Mattel Electronics Division, a Delaware corporation, with a place of business at 5150 Rosecrans Avenue, Hawthorne, California ("Buyer").

W I T N E S S E T H :

WHEREAS, Seller desires to manufacture and sell certain microelectronic equipment (the "Products") to Buyer and Buyer desires to purchase the Products from Seller;

WHEREAS, Seller and Buyer desire to establish the terms and conditions of sale and purchase for the Products;

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements set forth herein, the parties agree as follows:

1. Formation of Contract. Any term or condition of (a) Buyer's order; (b) releases pertaining thereto; (c) Seller's order acknowledgement; or (d) any communication between Buyer and Seller which is in any way inconsistent with the terms and conditions set forth herein shall be deemed to be null and void and shall not be binding on either party hereto, unless subsequently agreed to in writing in accordance with the provisions of Paragraph 27 hereof.

2. Products. (a) The Products purchased and sold hereunder shall be those set forth in Exhibit A attached hereto. The parties may increase, decrease or modify the items included in the Products at any time by writing in accordance with the provisions of Paragraph 27 hereof. (b) The Products shall be manufactured and shall perform in accordance with the specifications attached to this Agreement as Exhibit B ("Specifications") and Exhibit D ("Quality Requirements").

3. Design Changes. Buyer may, by written notice, request Seller to provide quotations regarding changes and/or additions to the Products and Specifications listed in Exhibits A, B and D respectively. Within fourteen (14) working days of such notice, Seller shall provide Buyer with a written quotation setting forth the design and development costs, production costs and schedule impact for such changes, which quotations shall be valid for a period of thirty (30) days thereafter. In the event the parties agree to implement any such changes, Buyer shall not thereby be relieved of its obligation to accept Products either manufactured prior to such implementation or reshipped Products returned by Buyer that were found to be in conformance with the Specifications in effect at the time of original shipment of Products or repaired to the Specifications (in lieu of replacement), except that Products returned by Buyer pursuant to Paragraph 8 or 9 hereof more than 30 days after the date of such implementation shall be replaced (if Seller elects to replace) by Products conforming to such changes.

4. Tooling. Seller shall retain title to, possession of, and

the right to exclusive use of manufacturing tooling made or obtained by Seller, including all masks, tapes, plots, drawings, fixtures, test programs, equipment, and manufacturing aids except as provided in Paragraph 12 hereof.

5. Purchase and Sale. (a) Buyer agrees to purchase and Seller agrees to sell the number of units of the Products in accordance with the schedule set forth in Exhibit C and at the prices set forth in Exhibit A. (b) Prices are effective at Seller's shipping plant and do not include any freight, transportation, duties, insurance, sales, property or ad valorem taxes, all of which shall be at Buyer's expense. (c) The parties shall meet from time to time, upon the reasonable request of either, to review possible approaches to reducing costs and prices, improving the Products, or otherwise advancing their mutual interests as set forth herein, but nothing herein shall be deemed to require either party to agree to any amendments or modification of the provisions of this Agreement.

6. Packing, Transportation, Title and Risk of Loss.

(a) Seller, shall at its own expense, box, crate, pack and package all the Products in a commercially reasonable manner in compliance with the requirements of common carriers. Shipments shall be addressed to Buyer (including Buyer's licensee's) at such address as Buyer may designate to Seller by notice and, if no such address has been designated, to the address of Buyer as set forth herein. Seller shall be the importer of record on all shipments into the United States.

40K ROOM

Buyer's part numbers, quantities and symbols shall be marked on all invoices, packages, bills of lading, shipping orders and correspondence, provided Seller shall have been timely notified thereof. Shipping memoranda or packing lists shall accompany each shipment of the Products, and, in the event that more than one package is shipped at one time, Seller shall identify the package containing the memoranda or lists. Bills of lading or shipping receipts shall be sent to Buyer on date of shipment.

(b) Seller shall select the least expensive mode of transportation and carrier consistent with the delivery requirements of Buyer, unless otherwise instructed by Buyer. The carrier shall be deemed to be Buyer's agent, except in the case of shipments from Seller's manufacturing facilities without the United States to ports of entry in the United States selected by Seller for subsequent shipment to Buyer or its agent in the United States, in which case Seller shall be importer of record as aforesaid and the carrier shall be deemed Seller's agent, provided, however, that notwithstanding the foregoing, Buyer shall remain responsible for the payment of all charges pursuant to Paragraph 5(b).

7. Payment Terms. All payments shall be subject to the conditions set forth in Paragraph 10. If Seller ships the Products in installments, each installment shall be deemed to be a separate delivery for the purpose of this paragraph. However, payment shall be on the basis of complete accepted chip sets and cartridge sets except in the

event of repair or replacement parts or at Buyer's specific request. For delivery in the United States or other designated areas where Seller must clear Customs, the terms of payment shall be thirty (30) days after the date of invoice, said date of invoice shall be approximately the date on which Seller shall deliver the Products to a port of entry in the designated areas. For delivery of products to locations without special Customs requirement, such as Hong Kong, shipments shall be made F.O.B. Seller's plant to the Buyer's designated subcontractors and invoice date shall be date of delivery by Seller to carrier. The terms of payment shall be thirty (30) days after the date of invoice.

8. Inspection, Testing, Acceptance and Rejection. (a) The Products purchased hereunder shall be subject to inspection, test and acceptance by Buyer in accordance with the standards and procedures set forth in Exhibit B, in the following manner:

(i) Buyer may inspect the Products at any reasonable place and time, including Seller's or Buyer's plant or any other point of destination designated pursuant to Paragraph 6 (a) hereof. In the event that Buyer elects to inspect the Products at the Seller's plant, Buyer's inspector shall in no way interfere with, delay or otherwise obstruct the operation of Seller's factory and shall restrict his activities solely to the inspection of Products tendered by Seller. Acceptance by such inspector shall be in writing.

(ii) If Buyer shall, pursuant to Paragraph 11 hereof, designate an agent to perform such inspection and acceptance, the Products shall

be deemed to be accepted by Buyer upon acceptance by such agent.

(b) At Seller's plant or within thirty (30) days of receipt of a shipment by Buyer or its agent, Buyer or its agent shall be entitled to reject any Products which, having been tested by Buyer in accordance with Exhibit B, do not meet the specifications set forth therein. Buyer shall, at its option, either (i) individually test all parts or sets from a given lot, or (ii) individually test a random sample of the parts or sets, such random sample to be selected in accordance with a two percent (2.0%) Acceptable Quality Level (AQL) through 4/30/81 and a one percent (1.0%) AQL from 5/1/81 forward on electrical specifications, a two and one-half percent (2-1/2%) AQL on package and lead dimensions and solderability in accordance with MIL-STD-105 Sampling Procedure, Inspection Level II, Single Sampling. For the purpose of this Paragraph, a "lot" shall mean the total number of Game Sets, Cartridge Sets or parts thereof covered by a single shipment memorandum. In the event Buyer or its agent shall, as a result of such test, determine that any set or parts (in the case of tests performed pursuant to clause (i) above) or any lot (in the case of tests performed pursuant to clause (ii) above) shall fail to meet the specifications set forth in Exhibit B, Buyer or its agent may reject such set, parts, or lot (as the case may be).

(c) In the event Buyer elects to inspect the Products at other than Seller's plant, and Seller shall not receive written notification of non-conformity from either Buyer or its agent (as the case may be)

within thirty (30) days of the receipt of a shipment, said shipment shall be deemed to be accepted.

(d) In the event Buyer or its agent shall reject any of the Products hereunder in accordance with subparagraph (b) above, Seller shall be given prompt notice thereof. Within five (5) working days after receipt of such notice, Seller shall notify the Buyer as to whether Seller elects, at its option, (i) to inspect such rejected Products at the inspection location of Buyer or its agent, in which case it shall so inspect within five (5) working days after the making of such election, or (ii) to require Buyer to ship to Seller a random sample of such rejected Products, in which case it shall inspect same within five (5) working days after receipt thereof. In either event, Seller shall notify Buyer within five (5) working days after inspection or receipt of such sample, as the case may be, whether or not Seller accepts such rejection. Failure to so notify Buyer shall be deemed to be acceptance of such rejection by Seller. Authorization to return rejected lots and/or individual parts to Buyer shall be granted as follows:

Far East locations shall be authorized from the G.I. Hong Kong office (San Toi Bldg. 14/F, 139 Connaught Rd. Central, Hong Kong); U.S. locations shall be authorized from either G.I. Hicksville, NY or Chandler, Arizona offices. These offices shall respond to requests for authorization within 48 hours after the completion of the above procedures or lapse of time, as the case may be.

(e) Any Products rejected in accordance with subparagraph (b) above and found to be non-conforming by Seller shall be repaired or replaced, at Seller's option. Seller shall repair or replace such rejected Products in a timely manner giving due consideration to Buyer's production requirements. The term "timely manner" shall mean (i) for all Products shipped prior to September 1, 1981, within thirty (30) days after receipt of notice that any such Products have been rejected, and (ii) for all Products shipped after August 31, 1981, within forty-five (45) days after receipt of notice that any such Products have been rejected. Seller may perform any minor repair work at the inspection location of Buyer or its agent, provided such work does not interfere with Buyer's production activities. In no event shall Seller be liable to Buyer for Products that do not conform to the Specifications set forth in Exhibit B except for repair or replacement thereof as provided herein.

(f) If Buyer or its agent has repeatedly rejected Products which are in conformity with the requirements of Exhibit B, Seller shall notify Buyer in writing thereof, and may thereafter impose a reinspection charge of not more than \$0.25 per unit if Products rejected by Buyer or its agent are determined to meet the requirements of Exhibit B. In the event of such repeated rejections, Buyer and Seller will mutually work to determine the reason for rejection and take appropriate action to correlate testing data.

(g) In the event of recurring failures of the Products to meet

the Specifications set forth in Exhibit B for the same or similar reason, the respective quality control organizations shall confer with respect to identification of the cause or causes of such failures and appropriate corrective action which might be taken.

(h) Any Products shipped by Seller in the good faith belief that such Products are conforming and which are rejected in accordance with this Paragraph 8 or returned in accordance with Paragraph 9 and which are repaired or replaced in a timely manner (as defined in subparagraph (e) above) shall not be subject to rights of cancellation of the Buyer set forth in Paragraphs 10 and 14 and Buyer shall accept delivery of all such repaired or replacement Products.

9. Seller's Warranty. (a) Seller represents and warrants to Buyer that the Products sold hereunder shall at the time of acceptance by Buyer and for a period of six (6) months after the date code indicated thereon, conform to the Specifications set forth in Exhibit B. Seller agrees that Products shall be shipped within two (2) weeks of their indicated date code. Failure by Seller to ship within said two (2) week period shall extend the aforesaid six (6) month warranty by the period of such shipment delay. Seller's liability under this warranty shall not extend to any other person or entity other than Buyer or Buyer's agent or Buyer's licensees and shall be limited to the repair or replacement, at Seller's option, of any defective Products. Seller shall be liable for all shipping charges to the location designated by it in connection with defective Products returned pursuant to this warranty.

(b) Repaired Products, or Products delivered as replacements, pursuant to the provisions of Paragraph 8(e) or 9(a) hereof, shall also be covered by the foregoing warranty in accordance with its terms, and the warranty period with respect to such repaired or replacement Products shall begin upon the date of shipment thereof as determined by the latest date code indicated thereon or as otherwise provided in subparagraph (a) above.

(c) Seller shall have no liability under this warranty for:

(i) any costs and expenses incurred to remove the Products from any circuit board;

(ii) any Products which have been altered, replaced or repaired, or have been serviced by persons other than Buyer or its agents without Seller's consent, which consent shall not be unreasonably withheld;

(iii) defects or failures which are the result of mishandling, vandalism, negligence, abuse or misuse of the Products.

(d) The soldering of parts to a printed circuit board under generally accepted commercial practice shall not void this warranty, provided that such parts shall be removed from said boards in a manner which shall permit Seller to test such parts.

(e) THE FOREGOING EXPRESS WARRANTIES OF SELLER ARE EXCLUSIVE

AND ARE IN LIEU OF ALL OTHER WARRANTIES, EXPRESSED OR IMPLIED. SELLER SPECIFICALLY DISCLAIMS THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

10. Shipments. (a) Seller shall manufacture and sell and Buyer shall purchase and accept the minimum monthly quantities of the Game Sets and Cartridge Sets set forth in this Exhibit C. Buyer shall have the option of changing the monthly quantities set forth in Exhibit C, provided Buyer shall give Seller written notice of its desire to change any monthly increment at least ninety (90) days prior to the fifteenth day of the subject shipment month for Game Sets and sixty (60) days prior to the fifteenth day of the subject shipment month for Cartridge Sets. Unless otherwise stated in Exhibit C, Buyer will not reduce monthly quantities below 20,000 Game Sets and 100,000 Cartridge Sets without agreement from Seller.

(b) Seller shall supply to Buyer every two weeks during the term hereof a rolling ten-week shipment forecast based on the above monthly quantities, which shall reflect a linear progression of shipments to Buyer throughout the term of this Agreement, insofar as may be practicable. In addition, Seller shall upon written request, provide Buyer with work in process data on a per part number basis. This data shall include in-process quantities in wafer fab, probe, assembly and finished goods. All data shall be yielded to give equivalent finished goods quantities per part.

(c) Game Set quantities shall apply to each set of the eight "Game Parts", in the case of the US version and seven "Game Parts" in the case of the PAL version, referred to in Exhibit A hereof. Cartridge Set quantities scheduled apply to each set of the two "Cartridge Parts" in the case of 20K ROMS (PN RO-3-39504-XXX) and a single "Cartridge Part" in the case of 40K ROMS. Multiple use of 40K ROMS in a single cartridge will count for purposes of quantity in Exhibit C as one cartridge per 40K ROM.

(d) Seller shall ship Products in complete matched tested sets only, as defined in Exhibit A unless otherwise directed by Buyer via purchase order and Seller's acknowledgement. Production requirements for multiple part cartridges shall be shipped in balanced ROM parts only. Testing and outgoing quality levels shall be as defined in Paragraph 8 and Exhibit B.

(e) Seller shall endeavor to ship during any fiscal monthly period of Seller, Game Sets and Cartridge Sets in accordance to the scheduled ratios as defined under Paragraph 10(a) above except as noted in (d) above. In addition to any other rights of Buyer under this Agreement, Buyer may defer payment of any invoices due and payable under the terms of this Agreement for Game Sets or Cartridge Sets that exceed said monthly ratio by ten percent (10%) or more unless such excess is requested by Buyer and acknowledged by Seller. Within five (5) days after the restoration of the said shipment ratios, Buyer shall submit to Seller all such deferred payments. Seller reserves the right to ship up

to ten percent (10%) overage of any given Cartridge Set scheduled in a given month, however this shall not be cumulative on any given Cartridge Set on a month to month basis.

(f) The purchase of probed ROM wafers by Buyer shall be credited against Seller's obligation to satisfy the quantity requirements set forth above for Cartridge Sets on a good die per ROM basis.

(g) Subject to Paragraph 14, in the event that Seller shall not have shipped the scheduled cumulative August 31, 1981, quantities of Game Sets or Cartridge Sets by September 30, 1981, Buyer may, at its option and upon written notice to the Seller, terminate this Agreement at any time prior to the time that Seller shall ship the quantities of the complete, conforming Game Sets or Cartridge Sets in said cumulative quantities, but in no event later than October 10, 1981. After receipt of such termination notice, Seller shall be entitled to ship to Buyer for a period of thirty (30) days (the "Post Termination Period") quantities of conforming Game Sets and Cartridge Sets. Buyer shall be required to pay for all complete, conforming Game Sets and Cartridge Sets shipped prior to the exercise of said termination option and any sets made complete and conforming in the Post Termination Period. Buyer shall not be liable to Seller for any costs related to raw materials or goods in process at the effective date of termination except as provided above for shipments in the Post Termination Period. If for any reason Buyer shall not terminate this Agreement in accordance with the above, Buyer's right to terminate under this subparagraph shall be deemed to be

null and void. For purposes of this subparagraph (g), poor yield shall not be a contingency beyond Seller's control excusing Seller's performance or impairing Buyer's rights hereunder.

(h) In the event that Seller shall be more than thirty (30) days in arrears in shipping scheduled quantities of the Products (whether Game Sets or Cartridge Sets) in accordance with the schedule and terms and conditions set forth herein, which delay shall be caused by any reason, including, but not limited to, a failure of the Products to meet the Specifications, but specifically excluding any delay caused by an event described or intended by Paragraph 14 hereof, the Buyer may, at any time prior to the time Seller ships the quantity, or any portion thereof, so in arrears, cancel without cost the quantity so in arrears, or any portion thereof, upon notice to Seller. For purposes of this subparagraph (h), poor yield shall not be a contingency beyond Seller's control excusing Seller's performance or impairing Buyer's rights hereunder.

(i) All deliveries by Seller of Products which have not been cancelled in accordance with (g) and (h) above shall be deemed due deliveries under the terms and conditions herein. The Buyer's remedies set forth in Paragraphs 10 and 14 for lateness of shipments or failure to ship in accordance with the schedule set forth in Exhibit C hereof, shall be the Buyers sole and exclusive remedies.

(j) Seller shall employ its four-inch wafer module at its

Chandler, Arizona facility to fabricate wafers for the Products in Exhibit A. In the event that capacity limitations or other operational conditions dictate the advisability of using other facilities, Buyer shall be notified in writing prior to any change.

11. Agency. Buyer may at any time and from time to time, by notice to Seller, appoint agents for the performance of its duties related to the Products, including but not limited to, inspections and acceptance, order release for shipment, receipt of shipments, settlement of claims, changes in the Products and Specifications and the like. Seller may rely on the advice and instructions of any such agent within the scope of such agent's authority as the same may be designated by Buyer in such notice. Buyer shall indemnify and hold Seller harmless from liability of any kind on account of any and all acts of any agent appointed by Buyer, provided such acts are within the scope of the agency.

12. Second Source. (a) In the event that Seller shall not be able to perform this Agreement as provided in Paragraph 14 hereof, or is otherwise unable to meet the delivery schedule set forth in Exhibit C hereof, Buyer may request in writing that Seller establish a second source of supply for the Products. In such event, Seller shall use reasonable efforts to enter into an agreement with a subcontractor approved by Buyer (which approval shall not unreasonably be withheld) to manufacture the items and quantities of the Products specified by Seller, for which Seller is otherwise obligated hereunder. Any such

subcontractor shall be under the direction and control of Seller and shall not sell the Products directly to Buyer.

(b) Buyer may at any time during the term of this Agreement establish a source of supply other than Seller for any one or all of the parts included in the Products as set forth in Exhibit A. In such event Seller shall be entitled to receive and Buyer shall pay to Seller a monthly royalty amount equal to five percent (5%) of the purchase price of the Products purchased by Buyer from each such second source in the prior month, plus an initial lump sum payment of \$10,000 for each Game Part per second source and \$10,000 for both Cartridge Parts per second source. In consideration of the foregoing payments, Seller shall deliver to each such second source certain technical information and equipment concerning the specific part to be manufactured by each such second source limited to the process parameter specifications, Calma or digital tapes, marking and bonding diagram, design specifications of the Sentry load board, test tapes (or test program specifications if tapes are not available) and the Customer Procurement Specification form, all with the latest revisions ("Technical Information"). In the event that Seller is not directed by Buyer to deliver such Technical Information to a second source, Seller shall not be entitled to receive the aforesaid royalties or lump sum payments. In the event Buyer does not deliver the Technical Information to a second source, it shall not be obligated to pay Seller the aforesaid royalties or lump sum payments. In addition to the foregoing, Seller shall provide to each such second source for

each part of the Products a maximum of ten (10) consecutive working man-days of engineering services to assist each such second source in the manufacturing of the Products. Any additional engineering services requested by such second source shall be billed at the current per diem rate Seller charges other customers for such services. Buyer shall permit Seller, upon five (5) days prior notice, to examine the purchase orders, invoices and any other records of Buyer relative to the purchase of the Products from any second source for the purpose of verifying the amount of royalty or lump sum payment due Seller hereunder, provided Seller is eligible for any royalty or lump sum payment as defined above.

(c) Except for the provisions of Paragraph 21 hereof with respect to patent indemnification, Seller shall not be responsible or liable to anyone, including Buyer, for the Products manufactured by any second source under this Agreement.

(d) Seller will equip its Glenrothes, Scotland, facility with masks, specifications and test tapes for each of the the Game Parts. Seller will qualify each of the Game Parts in its Scotland facility no later than June 30, 1981. Buyer and Seller shall develop an agreed upon program to qualify all Game Parts for production at the Seller's Glenrothes, Scotland, facility not later than March 13, 1981. This qualification shall include a minimum of 250 Game Sets processed per Seller's requirements and assembled into systems and life tested by Buyer. Buyer's approval shall be in writing.

13. Product Qualification. In addition to any test provided herein Seller may be requested by Buyer to provide data showing compliance with the tests in Exhibit D. In addition Buyer may perform additional product qualification testing using Exhibit D as the basis for such testing. Buyer may communicate the results of such testing to Seller, and upon the written request of either party, the quality control personnel of Seller and Buyer shall meet to discuss such results and implement such action as they may deem appropriate. Seller shall take corrective action in a reasonable time for any failure to perform or meet the standards of the tests provided in Exhibit D, but Buyer shall have no right of rejection for Products already produced.

14. Contingencies. Seller shall not be liable for any delay in performance or for non-performance, in whole or in part, caused by the occurrence of any contingency beyond Seller's control, including, without limiting the generality of the foregoing, war (whether an actual declaration thereof is made or not), sabotage, insurrection, riot or other act of civil disobedience, act of public enemy, failure or delay in transportation, act of any government, agency or subdivision thereof directly affecting the terms of this Agreement, judicial decision or order, labor dispute, accident, fire, explosion, flood, storm or other act of God, or shortage of labor, fuel, supplies, materials or yield. Any such delays shall excuse Seller from timely performance, and Seller's time for performance shall be extended for a period after the cessation of the excused cause equal to the period of the delay,

provided that Seller has made all reasonable efforts to cure such excused cause and to minimize such delay, and provided, further, that if any such delay shall continue for a period of forty-five (45) consecutive calendar days, Buyer may, upon notice to Seller, cancel, without cost or penalty, the quantity or any portion thereof, of the Products scheduled to be shipped during said period of delay which Seller has not shipped at the date of such cancellation notice. Buyer's right of cancellation hereunder shall not be applicable to any quantities of the Products in arrears prior to the occurrence of any contingency, in which case Buyer's rights, if any, under Paragraph 10 shall apply. Further, Buyer's right of cancellation hereunder shall terminate thirty (30) days after the complete cessation of each contingency that may occur. In the event of shortages of material, labor or capacity, Seller may allocate production and deliveries equitably among Seller's customers.

15. Termination. (a) Seller may, at its option and in addition to any other remedy provided at law or in equity, terminate this Agreement prior to the completion of the delivery of the Products as provided in Exhibit C, if Buyer fails to accept due delivery of, or make due payment for, Products, and fails to cure such failure within thirty (30) days after Seller has given Buyer written notice thereof.

(b) In addition to the rights set forth in Paragraph 10 hereof, Buyer shall have the right to terminate this Agreement at any time, with or without cause, upon thirty (30) days' prior written notice

to the Seller to such effect (the end of said thirty (30) day period being the "Effective Date of Termination"). In such event, Seller shall, upon such termination, be permitted to ship and Buyer shall accept delivery of:

(i) those Products which Seller would have been entitled, but for such termination, to ship to Buyer during the thirty (30) days after the Effective Date of Termination; and

(ii) an additional quantity of the Products equal to the number of Products which can be manufactured from the wafers in Seller's manufacturing process at the date of termination, which Products can be completed and shipped within sixty (60) days after the Effective Date of Termination.

(c) In lieu of clause (b) (ii) above, Buyer may elect in the termination notice to Seller, to pay termination charges equal to all costs (including direct labor, direct material and directly related manufacturing overhead costs, but excluding Seller's development costs) incurred and committed for all raw materials and goods in process at the date of termination. Buyer may, at its option and expense, request that all such termination charges be verified by Arthur Young & Company, provided, however, that any information disclosed by Seller to Arthur Young & Company shall be deemed confidential and shall not be disclosed to Buyer.

16. Confidential Information and Non-Disclosure. The parties hereto acknowledge that certain of the information provided or to be provided in connection with the performance of this Agreement shall be deemed to be confidential, secret and/or proprietary (collectively "Confidential Information") by the disclosing party. Confidential Information shall mean any and all technical information and other information regarding the marketing plans and strategy, financial affairs, business, processes, apparatus, design and manufacture of products, researches, research programs and the like, now or hereafter in the possession of either party including, without limitation, documents, data or information relating to devices, processes, methods, materials, apparatus, design, research, yields and specifications. All confidential information shall be clearly marked "Confidential" and so communicated to the receiving party. Recipient acknowledges that the Confidential Information is a unique and valuable asset to the disclosing party. In consideration of the disclosure of any Confidential Information the parties agree as follows:

(a) Except as otherwise provided in Paragraph 12 hereof, the recipient shall not disclose at any time and shall use its best efforts to prevent its officers, employees or agents from disclosing at any time, appropriating or using on its own behalf or on the behalf of others, any Confidential Information, without in each instance first obtaining the disclosing party's written consent thereto. The recipient shall restrict the circulation of Confidential Information to the same

extent the recipient restricts its own proprietary information. Any Confidential Information which shall be circulated to employees of the recipient shall bear a legend to the effect that the information contained therein is proprietary to the disclosing party and that such information shall not be disclosed to other persons. The recipient further agrees to return to the disclosing party, upon written request, all such documents or other embodiments of any Confidential Information.

(b) The recipient shall not be obligated to maintain the confidentiality of any Confidential Information that the recipient can show:

(i) Is required to be disclosed by judicial decision or order after all reasonable legal remedies to maintain the confidentiality of such information have been exhausted; or

(ii) Is or becomes part of the public domain through no fault of recipient and only after it becomes part of the public domain. It being understood that any Confidential Information shall not be deemed to be in the public domain merely because it is embraced by more general information which may be in the public domain; or

(iii) Is known to the recipient or any of its subsidiaries prior to disclosure; or

(iv) Is approved in writing for public release by the

disclosing party; or

(v) Is subsequently rightfully obtained by the recipient or any of its subsidiaries from a third party; or

(vi) Is independently developed by the recipient or any of its subsidiaries without any breach of this Agreement.

(c) The disclosing party, without limitation to any other remedies at law available to it, shall be entitled to appropriate equitable or injunctive relief in respect to any breach or anticipatory breach of this Agreement, without the necessity of proving damages.

(d) The provisions of this Paragraph 16 shall survive any termination or completion of this Agreement and shall remain in full force and effect for two (2) years after the date of such termination or completion except that all codes developed by or for the Buyer in or for the Products shall be covered by said provisions indefinitely.

(e) All software ROM codes provided by Buyer are considered proprietary to Buyer and shall not be disclosed or sold to other parties without Buyers written permission. These ROM codes include but are not limited to part numbers R039502-011, R039503-003, R039504-021 or their revised or replacement part numbers.

(f) The R039505-3XX 40K Cartridge ROM (the "ROM") of the Seller shall be available exclusively to Buyer during the term hereof, provided Buyer purchases eighty percent (80%) of its total annual 40K ROM

requirements from the Seller. Buyer will furnish Seller, upon written request, adequate records to assure conformance to the 80% purchase requirements. In the event Seller shall be unable to perform in accordance with the agreed upon schedule of delivery for the ROM for any reason, the Buyer may purchase comparable 40K ROM parts in quantities equal to the undelivered ROMs from other sources. The above right of exclusivity shall survive any inability of the Seller to perform in accordance herewith and any such quantities purchased from other sources shall be added to the quantities of ROMs actually shipped to Buyer by Seller for purposes of determining the 80% purchase requirement. Notwithstanding the above right of exclusivity, Seller shall be entitled to manufacture and sell the ROM to others: (i)-for end product applications not related to the Buyer's end products, subject to the prior written consent of Buyer, which consent shall not be unreasonably withheld by Buyer; and (ii) all end product applications in the event Buyer fails to achieve the 80% purchase requirement.

17. Publicity. Seller shall submit to Buyer all advertising, sales promotion materials, press releases and other publicity matters relating to the Products furnished or the services performed by Seller under this Agreement, wherein the name of Buyer is mentioned or language from which the connection of said name therewith may be inferred or implied; and Seller shall not publish or use such advertising, sales promotion materials, press releases, or other publicity matters without Buyer's prior written approval. Buyer shall not make or issue any

public statement, whether oral or written, with respect to Seller's prices, performance or quality hereunder without Seller's prior written approval.

18. Program Management. Seller shall appoint and maintain throughout the contract period a program manager with complete responsibility for the production implementation of Buyer's program. This manager shall be a full-time resident at the Chandler facility with primary responsibility for those matters relating to the production schedule for the Products.

19. Design/Test Change. Buyer approval shall be obtained in writing prior to Seller making any design, mask or test change which would affect the performance of the Products as specified in Exhibits B or D. Buyer will respond in a timely fashion to any approval request and shall not unreasonably withhold such approval.

20. Limitation of Seller's Liability. In no event shall Seller be liable to anyone for direct, indirect, special, incidental, contingent or consequential damages or expenses for: (a) breach of any of the provisions of this Agreement; and (b) the purchase and use of the Products. Without limiting the generality of the foregoing, such excluded damages and expenses shall include costs of removal and installation of the Products, loss of goodwill, loss of profits or loss of use. All remedies provided in this Agreement shall be deemed to be the sole and exclusive remedies of the party having a right to invoke

the same for the acts, defaults, breaches, events or causes for which such remedies are provided, except as otherwise expressly provided herein.

21. Patent Indemnity. (a) Seller shall indemnify and hold Buyer harmless from any suit or proceeding brought against Buyer to the extent that such suit or proceeding is based on a claim that the process utilized by Seller to manufacture the Products or that the circuit layout of the Products constitutes a direct or contributory infringement of any valid United States trademark, copyright or patent.

(b) Buyer shall indemnify and hold Seller harmless from any suit or proceeding brought against Seller to the extent that such suit is based on a claim that the use of the Products or Buyer's end product constitutes a direct or contributory infringement of any valid United States trademark, copyright or patent.

(c) In the event of either (a) or (b) above, the indemnifying party shall pay all damages and costs awarded by final judgement (from which no further appeal may be taken) against the indemnified party, provided that the indemnifying party (i) is promptly informed and furnished a copy of each communication, notice or other action relating to the alleged infringement, (ii) is given authority, information and assistance necessary to defend or settle such suit or proceeding in such manner as the indemnifying party shall determine, and (iii) is given sole control of the defense (including the right to select counsel), and

the sole right to compromise and settle such suit or proceeding.

THE FOREGOING STATES THE SOLE AND EXCLUSIVE LIABILITY OF THE PARTIES HERETO FOR INFRINGEMENT OR THE LIKE OF PATENTS, TRADEMARKS AND COPYRIGHTS, WHETHER DIRECT OR CONTRIBUTORY, AND IS IN LIEU OF ALL WARRANTIES, EXPRESSED, IMPLIED OR STATUTORY IN REGARD THERETO, INCLUDING, WITHOUT LIMITATION, THE WARRANTY AGAINST INFRINGEMENT SPECIFIED IN THE UNIFORM COMMERCIAL CODE.

22. Notices. All notices or communications required, permitted or contemplated by this Agreement or desired to be given hereunder, shall be in writing addressed as follows and given by certified or registered mail, return receipt requested, or by telex, and shall be deemed to be given when received:

If to Seller, to

General Instrument Corporation
Microelectronics Divisions
600 West John Street
Hicksville, New York 11802
Attn: General Instrument General Manager

and, with respect to any notice of default or termination, with a copy to

General Instrument Corporation
320 West 57th Street
New York, New York 10019
Attn: Law Department

and, if to Buyer, to

Mattel, Inc.
Mattel Electronics Division
5150 Rosecrans Avenue
Hawthorne, California 90250
Attn: Vice President-Operations

and, with respect to any notice of default or termination, with a
copy to

Mattel, Inc.
5150 Rosecrans Avenue
Hawthorne, California 90250
Attn: Law Department

23. Validity. The invalidity in whole or in part of any term or condition of this Agreement shall not affect the validity of the rest of this Agreement or any other term or condition herein.

24. Waiver. The failure by either party to enforce at any time or for any period of time any of the provisions of this Agreement shall not constitute a waiver of such provisions or of the right of such party to enforce each and every provision.

25. Governing Law. The validity, construction and performance of this Agreement and the transactions to which it relates shall be governed by and construed under the laws of the State of New York.

26. Assignment. This Agreement is binding upon and inures to the benefit of the parties hereto and the successors and assigns of the entire business and goodwill of either Seller and Buyer or that part of the business of either used in the performance of the Agreement, but shall not be otherwise assignable without the prior written consent of the other party. Notwithstanding the foregoing, Buyer may require

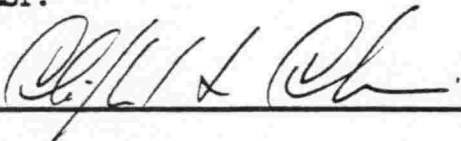
Seller to ship the Products to Buyer's licensees provided, however, that Buyer shall remain liable for the price of Products shipped to such licensees. Nothing in this Paragraph or this Agreement shall inure to the benefit of or be deemed to give rise to any rights in any third party, whether by operation of law or otherwise, except as stated herein.

27. Merger. This Agreement, including all Exhibits hereto, shall constitute the final, complete and exclusive written expression of all terms of the sale and purchase of the Products. Except as provided herein, this writing shall supersede all previous communications, representations, agreements, promises or statements, either oral or written, with respect to the transactions contemplated herein and no such communications, representations, agreements, promises or statements of any kind made by either party shall be binding on such party, and each party, hereby confirms that it is not relying upon any such communications, representations, agreement, promises or statements. No addition to or modifications of any provision of this Agreement or any Exhibit hereto shall be valid or binding unless made in writing and signed by the party to be charged.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective duly authorized officers as of the date and year first above written.

MATTEL, INC.
Mattel Electronics Divisions

ATTEST:

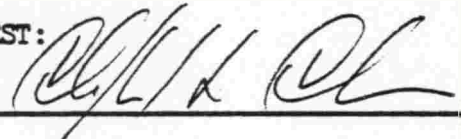


By 

Title 

GENERAL INSTRUMENT CORPORATION
Microelectronics Division

ATTEST:



By 

Title Senior Vice President

EXHIBIT A

List of Products: Game Set - U.S. Version				Game Set - PAL Version	
Item	Description	Part #	CPS #	Part #	CPS #
1	CPU	CP-1610	10036	CP-1610	10036
2	Control RAM	RA39600	10032	RA39600	10032
3	STIC	AY38900-1	10037	AY38900	10042
4	Exec. ROM-1	RO39502-011	10031	RO39502-011	10031
5	Exec. ROM-2	RO39504-021	10033	RO39504-021	10033
6	Graphics ROM	RO39503-003	10030	RO39503-003	10030
7	Color	AY38915-001	10035		Not Applicable
8	Sound	AY38914	10034	AY38914	10034

Prices of each U.S. Version Game Set shall be as follows:

First	100K	27.25
Next	100K	26.00
Next	100K	25.00
Thereafter		23.50

Prices of each PAL Version Game Set shall be as follows:

First	100K	25.25
Next	100K	24.00
Next	100K	23.00
Thereafter		21.50

EXHIBIT A (page 2)

Cartridge Set for either U.S. or PAL Version Game:

<u>Item</u>	<u>Description</u>	<u>Part #</u>	<u>CPS #</u>
1	Cartridge ROM (20K)	RO-3-39504-1XX	10040
2	Cartridge ROM (20K)	RO-3-39504-2XX	10040
Note: "X" is a number from 0 to 9 to assigned to identify specific Cartridge Part Codes			
3	Cartridge ROM (40K)	RO-3-9505-3XX	10047

Prices of each set of Cartridge Parts shall be as follows:

First	2500K	3.25
Thereafter		3.00

Note 1 -

For the purpose of computing individual replacement and missing part prices only, the invoice price of an individual Game or Cartridge Part shall be the price for the appropriate set of parts divided by the number of parts in the set.

EXHIBIT A (page 3)

Note 2 -

U.S. and PAL Game Sets will count equally for the purpose of calculating cumulative quantities toward price steps and for the purpose of the shipment schedule set forth in Exhibit C. For example, if Buyer purchases 50K U.S. Game Sets and 50K PAL Game Sets, the next 100K Game Sets, either U.S. or PAL version or a combination thereof, shall be priced at \$26.00 for U.S. version, and \$24.00 for PAL version, and so on for each subsequent price step.

Note 3 -

The foregoing prices are based on the Buyer purchasing from the Seller the lesser of: (a) a ratio of Cartridge Sets to U.S. and/or PAL Game Sets of a minimum 8 to 1; or (b) 2,450,000 Cartridge Sets. If such minimum purchases are not achieved during the period of this Agreement, Seller reserves the right to increase the prices set forth in this Exhibit A.

Note 4 -

A) Effective on all deliveries on and after February 1, 1981, Buyer shall pay a kitting charge to Seller of \$2.00 per Game Set for 500,000 Game Sets.

B) Buyer and Seller to develop program to improve producibility (yield) of Game Parts and Game Sets with objective of 40 good units shipped per wafer to probe on RAM and STIC each and 93% Game Set yield through Buyer's manufacturing process.

EXHIBIT A (page 4)

C) After the delivery of the 500,000 Game Sets set forth in Note 4 A) above, and in the event the yield objectives of Note 4 B) are not realized on the STIC and RAM, Buyer shall pay a kitting charge to Seller of not more than \$1.00 per Game Set on all quantities of Game Sets delivered thereafter.

D) Seller shall design a single executive 40K ROM (designated the R039506-031 Game Part) to replace the R039502-011 and R039504-021 Game Parts. Seller will provide first prototypes by 5/1/81, subject to state-of-the-art delays. Production quantities of the U.S. Version (7 Game Parts) or PAL Version (6 Game Parts) employing the R039506-031 will be shipped 6 weeks after Buyer's written approval of the R039506-031 prototypes and Seller's conformation of Buyer's releases; provided, however, production quantities of said Game Sets shall not exceed 10K in July, 20K in August, 40K in September or 50K in October. These quantities shall be applicable to the Game Set shipments of Exhibit "C". Prices for said Game Sets will be \$21.00 for the U.S. Version and \$19.00 for PAL Version.

E) Buyer and Seller will work to develop a program for further Game Set and master component cost reduction for future years. Cost objectives are for a \$60.00 total manufacturing cost to Buyer on master component. A proposal for this cost reduction is to be constructed and presented to senior management of both companies by 3/30/81.

EXHIBIT B

COMPONENT PROCUREMENT SPECIFICATIONS OF THE
PRODUCTS CONTAINED HEREIN

EXHIBIT C

Shipment Schedule: Game Sets and Cartridge Sets (000)

<u>Month(1)</u>	<u>GAME SETS</u>				<u>CARTRIDGE SETS</u>			
	<u>Min.</u>	<u>Cum.</u>	<u>Max.</u>	<u>Cum.</u>	<u>Min.</u>	<u>Cum.</u>	<u>Max.</u>	<u>Cum.</u>
1980 Nov.	15	15	15	15	132	132	132	132
Dec.	35	50	35	50	173	305	173	305
1981 Jan.	22	72	22	72	125	430	125	430
Feb.	52	124	52	124	150	580	150	580
March	56	180	66	190	150	730	200	780
April	60.	240	82	272	200	930	250	1030
May	62	302	98	370	250	1180	300	1330
June	40	342	108	578	350	1530	500	1830
July	20	362	106	584	350	1880	600	2430
Aug.	20	382	106	690	350	2230	600	3030
Sept.	20	402	90	780	220	2450	600	3630
Oct:	20	422	50	830	0	2450	600	4230

Note 1. The above schedules and quantities provide the current estimated totals and ranges for Game Sets and Cartridge Sets. Changes per this schedule may be effected by Buyer in accordance with Paragraph 10.

EXHIBIT D

MICROELECTRONICS GROUP

QUALITY CONFORMANCE REQUIREMENTS

EXHIBIT D

MICROELECTRONICS GROUP
QUALITY CONFORMANCE REQUIREMENTS
GROUP C - DIE - RELATED QUALIFICATION PROCEDURE (EVERY SIX MONTHS PER GENERIC CATEGORY)

TEST	REFERENCE MIL-STD-883 <u>METHOD AS SPECIFIED</u>	G. I. SPECIFICATION	CONDITIONS	<u>LTPD</u>
1. Operating Life	1005	Reliability testing performed by generic device per PSI	1000 hours per max. spec temp. 40 C	#15 Accept 2
OR				
HTRB	1015			
2. Endpoint Electrical		Per Customer Procurement Specification		

* Acceptance Criteria Based on Sample Being Prior Conditioned by 24-Hour Operation in This Same Electrical Circuit at 95 C and Resulting Infant Mortality Failures Removed From Sample.

MICROELECTRONICS GROUP
QUALITY CONFORMANCE REQUIREMENTS

GROUP D - PACKAGE RELATED QUALIFICATION PROCEDURE (EVERY TWELVE MONTHS PER GENERIC CATEGORY)

TEST	REFERENCE MIL-STD-883 METHOD AS SPECIFIED	G.I. SPECIFICATION	CONDITIONS	LTPD
<u>Subgroup 1</u>				
1. Solderability	2003	QCI 31003	Soldering Temperature	15
<u>Subgroup 2</u>				
1. Lead Fatigue	2004	QCI 31004	6 random leads 3 bend cycles Force: 8 oz, z1 apply 0.12" from bend radius	15 Accept 2
2. Lead Pull	2004	QCI 31002	6 random leads A tension of 8 oz	15 Accept 2
<u>Subgroup 3</u>				
1. Therm. Shock	1011	QCI 31011	10 cycles 0 C to 100 C Elect. Continuity test before and after test	15 Accept 2
2. Temp Cycle	1010	QCI 31010	10 cycles -65 C to 150 C Elect. Continuity test before and after test	15 Accept 2

MICROELECTRONICS GROUP
QUALITY CONFORMANCE REQUIREMENTS
GROUP D - PACKAGE RELATED QUALIFICATION PROCEDURE (EVERY TWELVE MONTHS PER GENERIC CATEGORY)

TEST	REFERENCE MIL-STD-883 METHOD AS SPECIFIED	G. I. SPECIFICATION	CONDITIONS	<u>LTPD</u>
<u>Subgroup 3</u>				
3. Pressure Cooker		QCI 30029	1 hr. min., 20 PSIG 115 C elect. readout before and after test	15 Accept 2
4. Moisture Resistance (Optional in lieu of Item 3, Subgroup 3)	1004	QCI 31001	25 C to 65 C, 90% humidity 3 hrs @ 65 C, 10 cycles	30 Accept 1
5. Endpoint Electrical			Per Customer Procurement Specification	