

January 8, 1979

To: Distribution
From: D. P. Chandler
Subject: Minutes of close-in scheduling meeting 1-8-79

Those present during portions of the meeting were:

Dick Norwood	-	General Inst.
Ken Greenberg		
L. Solomon		
Al Secora	-	Mattel
Dave Chandler		

MASTER COMPONENT PRODUCTION SCHEDULE

Present chip schedule expectations indicate that it is practical to start assembly of the 250 preproduction systems by Sylvania about February 15. This assumes:

1. Properly functioning chip sets are ready for delivery of 250 sets to Sylvania by February 15.
2. A software development system can be reactivated at APH quickly to allow converting the executive and at least 1 game program to the production format by about January 25.
3. The executive and at least 1 game program ROMS will be masked starting about January 25, recognizing that most likely these will have to be remasked before they are acceptable for delivery to customers.

NOTE: It is proposed to do this program conversion and masking assuming the use of the modified Sound-I/o chip even though the sound portion of the converted programs cannot be tested prior to masking on this schedule. This approach has the danger that sounds may be wrong or totally inoperative with this set of ROMS, but it avoids the confusion and expense of having two different versions of sound chips in systems.

Production build-up at rates in accordance with the contract with Sylvania could start about March 15 assuming FCC status is suitable by then.

It is proposed that both the logic board and power supply board designs be iterated immediately to correct the known problems with the present versions

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as soon as possible and then have Sylvania fabricate the remaining 23 of the first 50 systems. This will provide systems for several uses, including the next FCC submittal, as well as give Sylvania some experience in assembly of this system. G2 will proceed with the logic board design revision. If Sylvania is agreeable, it is proposed that they revise the power supply board and submit the new design for approval by G2 and Mattel. To support this effort, Mattel will provide a more detailed list of problems with the present boards and, where appropriate, recommendations for their remedy.

The following recommendation was not discussed in the meeting, but it is my proposal that the above mentioned power supply board revision be in accordance with the attached schematic unless Glen Dash has valid objections. The changes amount to moving the pi filters from the AC sides of the rectifiers to the dc side of the energy storage capacitors. This will provide better power supply design, better isolation and permit use of lower cost components if the filtering proves to be necessary. Of primary importance is the reduction of the number of inductors and the reduction of their required current rating by about a factor of 10.

KEYBOARD COMPONENT TECHNICAL SESSION II

The session to continue definition of the architecture and circuitry for the Keyboard Component is scheduled to start January 15 in Hicksville. Those participating will be:

Steve Maine - G I
Duncan Harrower
Glen Hightower - APH
John Lishman - Mattel
Dave Chandler, Chairman

TAPE DRIVE

The British tape drive was reviewed. It does provide the appropriate functions and appears to be sufficiently simple that cost and manufacturability should be good. It is larger than was expected, but its configuration is such that it may fit into the housing with better space efficiency than expected. The next step is for Mattel to determine the impact, if any, of designing this drive into the housing and make a decision relative to its use.

DISTRIBUTION:

MATTEL:

Ed Krakaue
Jeff Rochlis
Al Secora
Cliff Perry
John Lishman
Howard Cohen
Chi Wang
Jim Kingsbury

To: Distribution
From: D. P. Chandler

January 8, 1979

GENERAL INSTRUMENTS:

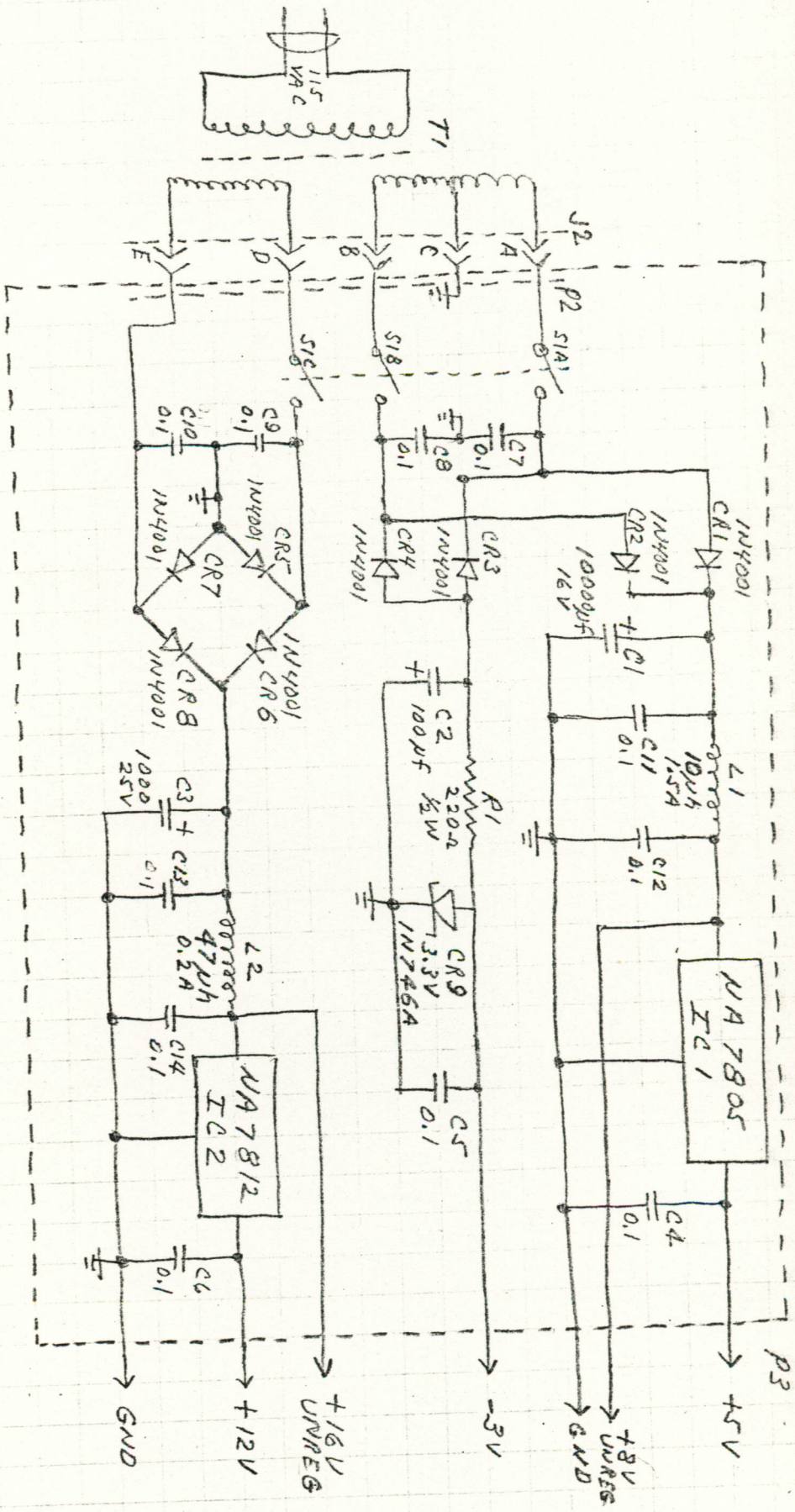
L. Solomon
Dick Norwood
Ken Greenberg

APH

Glen Hightower

SYLVANIA

Rusk Smith
John Robertson



PROPOSED POWER SUPPLY SCHEMATIC
 JAN 8, 1979
 D. P. CHAUDLER

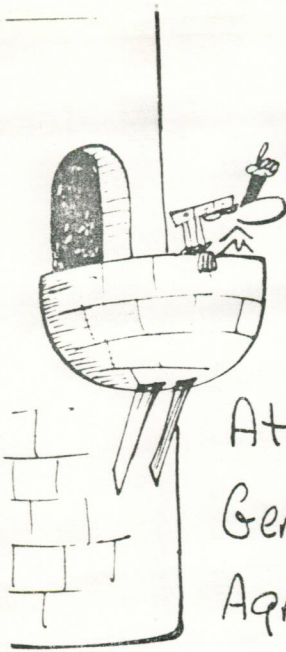
MATTEL ELECTRONICS

DAVE CHANDLER

Howard,

This is certainly a one-sided agreement. My first round of comments are written on the enclosed copy. This agreement will bear re-reading a few times.

Dave



A Message
from the
King!

1/18/79

Attached is the proposed
General Instrument Purchase
Agreement.

Please review, making notations
on effective page, and return to
Howard Cohen for collation on or
before 2/5/79.

A master copy will be made and
pre-negotiation/strategy meetings held
following receipt of the above.

Please state reasoning, alternatives,
costs, and positions in lieu of blanket
statements (e.g. unacceptable).

Thanks,

Howard

TERMS AND CONDITIONS
OF SALE AND PURCHASE

AGREEMENT made as of the day of January, 1979, 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 which shall supersede the standard terms and conditions set forth in their respective purchase order and order acknowledgement forms;

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 or in addition to 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 Paragraph 23 hereof. *no paragraph 23*

2. Products. (a) The Products purchased 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 a writing in accordance with Paragraph 22 hereof. *Paragraph 22*

(b) The Products shall be manufactured and perform in accordance with certain specifications to be agreed to by the parties hereto in writing and attached to this Agreement as Exhibit B. In consideration of the importance and materiality of said specifications to this Agreement, if the parties shall be unable to agree upon said specifications, including inspection, testing and acceptance standards and procedures, by March 1, 1979, or such later date as shall be agreed to by the parties in accordance with Paragraph 22 *then not lit.* this Agreement shall be deemed to be null and void. In such event, neither party shall have any liability to the other party, except as provided in Paragraphs 14 and (c) below, on account of their inability to agree upon said specifications or on account of this Agreement.

(c) Notwithstanding the foregoing provision, in the event Buyer shall give Seller a production release for the

Products prior to an agreement between the parties regarding said specifications, Buyer shall be liable to Seller for all costs incurred by Seller in connection with such production release if the parties shall be unable to reach an agreement regarding said specifications or if such agreement results in specifications different from those utilized to produce the aforesaid Products.

3. Prices. Prices for the Products shall be quoted by Seller from time to time and attached hereto as Exhibit C. All such prices shall be F.O.B. Seller's shipping plant and shall not include any taxes or duties, now or hereafter enacted, applicable to the items or to this transaction, all of which taxes and duties shall be Buyer's responsibility. Such taxes and duties shall be added by Seller to the sales price hereunder, where appropriate and paid by Buyer.

4. Payment Terms. Terms of payment shall be net thirty (30) days after date of invoice or date of delivery, whichever is later. Seller shall have the right, at any time, to change the amount of credit or terms of payment or to withdraw credit, and to require partial or full payment in advance as a condition of making further shipments. If Seller delivers in installments, each installment shall be deemed to be a separate delivery for purposes of this paragraph. Anything herein to the contrary notwithstanding, if shipments shall be delayed at Buyer's request, payment shall be due on the date Seller is prepared to make shipments. Goods held thereafter by Seller or carrier for Buyer shall be at Buyer's sole risk and expense.

5. 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, to secure lowest transportation costs and to comply with requirements of common carriers. Buyer's order numbers, part numbers, quantities and symbols shall be marked on all invoices, packages, bills of lading, shipping orders and correspondence. Shipping memoranda or packing lists shall accompany each shipment of the Products. 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.

(c) Title and risk of loss or damage to the Products shall pass to Buyer when Seller delivers the Products into possession of a carrier for shipment to Buyer, the carrier being deemed to be an agent for Buyer.

6. 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.

(1) On-Site inspection and acceptance:

(i) Buyer may, at its sole option and expense, establish and maintain on-site inspectors at the Seller's plant to expedite the Buyer's inspection and acceptance of the Products. Such on-site inspectors may be either employees of Buyer or designated agents therefor.

(ii) Acceptance of the Products by an on-site inspector shall be deemed to be acceptance by Buyer. After such acceptance Seller's liability, if any, to Buyer shall be governed by Paragraph 10 hereof. In no event, shall Buyer be entitled, after acceptance by an on-site inspector, to withhold payment of any invoice or part thereof for any reason whatsoever.

(iii) In no manner shall an on-site inspector interfere with, delay or otherwise obstruct the operation of the Seller's facility. Buyer shall indemnify and hold Seller harmless from any liability caused by any such obstruction.

(2) In the event Buyer shall not exercise the option set forth in (a)(1) above, the following shall apply:

(i) Buyer may inspect the Products at any reasonable place and time, including Buyer's plant or any other point of destination specified on the Buyer's purchase order or shipment release.

Provision on site for Buyer's inspection shall be assumed.

(ii) If Buyer shall designate an agent to perform such inspection and acceptance, the Products shall be deemed to be accepted by Buyer upon acceptance by such agent.

(iii) If, within thirty (30) days of the receipt of a shipment, Seller shall not receive written notification of non-conformity from either Buyer or its agent, said shipment shall be deemed to be accepted.

(b) Within thirty (30) days of receipt of a shipment, Buyer or its agent shall be entitled to reject any Products which have been tested by Buyer and do not meet the specifications set forth in Exhibit B. The Products manufactured by Seller shall not exceed a 1% Process Average rejection rate. The term "Process Average" as used herein shall mean that the rejection rate of the Products based on the specifications set forth in Exhibit B shall not exceed 1% of the entire quantity of each item or device of the Products shipped hereunder. Each item or device set forth in Exhibit A shall be independently measured from all other items or devices to determine whether such item or device meets the foregoing Process Average test.

(c) In the event Buyer or its agent shall reject any of the Products hereunder in accordance with Paragraph (b) above, Seller shall be given prompt notice thereof and an opportunity to inspect at the inspection location of Buyer or its agent.

(d) Any Products rejected in accordance with Paragraph (b) above and found to be non-conforming by Seller shall be repaired

Do not have to be 100% perfect. 1% is acceptable.

or replaced, at Seller's option. Seller may perform any minor repair work at the inspection location of Buyer or its agent. In no event shall Seller be liable to Buyer in any manner for such non-conforming Products except for said repair or replacement thereof.

(e) Seller may impose a reinspection charge of not more than \$0.25 per unit if the Products rejected by Buyer are determined to meet the requirements of Exhibit B.

7. Delivery. (a) Seller shall use all reasonable efforts to ship the Products in substantial compliance with Buyer's orders and releases as acknowledged by Seller.

(b) In the event that Seller shall be in arrears of an acknowledged, scheduled shipment, which delay shall not be caused by an event described or intended by Paragraph 13 hereof, by ninety (90) days or more prior to October 1, 1979, Buyer may, at any time prior to the time Seller ships such quantity in arrears, cancel without cost the quantity then in arrears, or any portion thereof, upon written notice to Seller. Buyer shall have no right of cancellation if Seller shall be in arrears by less than ninety (90) days or after October 1, 1979, regardless of the extent of such arrears. The cancellation privilege provided herein shall be the Buyer's sole and exclusive remedy with respect to any arrears of acknowledged and scheduled shipments hereunder.

Handwritten notes:
Shipped
offer to give
parts and
replaced.
at Seller's option.

?

8. Agency. (a) Buyer may at any time and from time to time, upon written notice to Seller, appoint agents for the performance of certain acts, related to the Products, including, but not limited to, inspection and acceptance, order and release for shipment, receipt of shipments, settlement of claims, changes in the Products and specifications and the like.

(b) Notwithstanding the foregoing notice of appointment, Seller may rely on the advice and instructions of any such agent without regard as to whether such agent had authority, actual or apparent, to act in such manner on behalf of Buyer.

(c) 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, whether or not such acts shall be within the scope of the agency.

9. Second Source. In the event that Seller shall not be able to perform this Agreement as provided in Paragraph 13 hereof or the quantities of the Products specified on Buyer's orders and releases thereof exceed Seller's capacity to manufacture and ship and Buyer requests in writing that Seller establish a second source of supply for the Products, Seller shall use its best efforts to enter into an agreement with a subcontractor of its choice who shall manufacture the items and quantities of the Products specified by Seller. Any such subcontractor shall be under the direction and control of Seller and shall not sell the Products directly to Buyer.

Seems acceptable.

10. Seller's Warranty.

(a) Seller warrants to Buyer that the Products accepted by Buyer hereunder shall comply with the specifications set forth in Exhibit B and under normal use shall be free from defects in materials and workmanship for a period of ninety (90) days after the date of shipment by Seller thereof. Seller's liability under this warranty shall not extend to any other person or entity other than Buyer 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.

Should be replaced by...

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

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

(ii) any Products which have been altered, replaced, repaired or serviced by others without Seller's consent; and

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

Nothing in this paragraph shall be construed to mean that...

(c) If Seller shall determine that Products returned under this warranty are:

Returned in either as part of a...

*How much to be...
of...
...*

(i) not defective, Seller may charge Buyer a minimum amount of \$200.00 per return or \$1.00 per unit of the Products, whichever is greater, to offset Seller's warranty inspection costs; or

(ii) defective, but not within the scope or term of Seller's warranty, Seller shall notify Buyer of Seller's charges to inspect the Products and determine the cause of the defects. Seller shall not inspect such Products until Buyer consents in writing to pay such charges of Seller.

THE FOREGOING WARRANTIES OF SELLER ARE EXCLUSIVE AND ARE IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED. SELLER SPECIFICALLY DISCLAIMS THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND THE WARRANTY AGAINST INFRINGEMENT, INCLUDING, BUT NOT LIMITED TO, PATENTS, TRADEMARKS AND COPYRIGHTS SPECIFIED IN THE UNIFORM COMMERCIAL CODE.

11. Termination.

*See this cancel of 2% liability
by improvements spelled out in the
development contract... changes*

(a) Either party shall have the right to terminate this Agreement upon prior written notice to the other party to such effect.

(b) (1) In the event Buyer shall terminate this Agreement, Seller shall be permitted to ship and Buyer shall accept delivery of:

(i) the finished Products presently in Seller's inventory not to exceed a quantity equal to the scheduled shipments for sixty (60) days immediately after the effective date of said termination; and

(ii) an additional quantity of the Products equal to the number of Products which can be manufactured from the raw materials and goods in Seller's manufacturing process at the date of termination, which Products can be completed and shipped within ninety (90) days after the effective date of said termination.

(2) In lieu of (b) (1) (ii) above, Buyer may elect in the termination notice to Seller, to pay termination charges equal to all costs, direct or indirect, 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 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 under any circumstances.

(3) Further, upon termination in accordance with Paragraphs (b) (1) or (2) above, Seller shall be entitled to reinvoice the Products previously shipped to effect a price adjustment reflecting the difference, if any, between price based on the quantity ordered and price based on the quantity actually shipped.

12. Quantities. Any variation in quantities shipped over or under the quantities ordered and released (not to exceed 5%)

shall constitute compliance with Buyer's order and release and the unit price shall continue to apply. All claims for shortages shall be made in writing within thirty (30) days after the date of receipt of shipment.

13. 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 the control of either Seller or Seller's suppliers, including, but not limited to, war (whether an actual declaration thereof is made or not), sabotage, insurrection, riot or other act of civil disobedience, act of a public enemy, failure or delay in transportation, act of any government or any agency or subdivision thereof affecting the terms of this Agreement or otherwise, judicial action, labor dispute, accident, fire, explosion, flood, storm or other Act of God, shortage of labor, fuel, raw materials, tools, dies or equipment, technical or yield failure or dis-approval by the Federal Communications Commission. Any such delays shall excuse Seller from timely performance, and Seller's time for performance shall be extended, for the period of the delays and for a reasonable period thereafter. If any contingency occurs, Seller may allocate production and deliveries among any or all of Seller's customers as Seller may determine, including, without limitation, regular customers not then under contract and Seller's (including Seller's subsidiaries and affiliates) own requirements for further manufacture or other use.

cont. can be excluded?

14. Proprietary Rights and Confidentiality.

a summary of the information furnished

(a) All information, know-how, programming, software, trademarks, trade secrets, plans, drawings, specifications, designs and patterns furnished or created by Seller or by agents or contractors of Seller (other than Buyer) in connection with the sale of the Products and any and all property rights embodied therein are and shall remain the sole property of Seller and neither Buyer nor any other party shall have or acquire any interest therein.

(b) Both parties recognize and acknowledge that any confidential, secret or proprietary information, including those matters set forth in Paragraph (a) above, ("Information") possessed by either one of them is a valuable business asset of such party and that disclosure of the Information would cause grave and irreparable injury to such party. Therefore, both parties shall at all times, whether during the term of this Agreement or subsequent thereto, honor, maintain and protect the confidentiality and secrecy of such of the Information as may be disclosed in connection with the performance of this Agreement. The recipient of the Information shall not disclose at any time, nor permit its officers, employees or agents to disclose at any time (either during their respective employment by the recipient or thereafter), nor appropriate or use on its own behalf or on the behalf of others any of the Information, without in each

instance first obtaining the written consent of the owner of the Information. The parties shall not make any copies of any of the Information without prior written consent of the other party and shall take appropriate action to restrict access to the Information to those of its employees and agents who have an actual need for such access in the course of their duties. In the case of agents, assemblers and subassemblers of Buyer or any third party to which Buyer, with the consent of Seller, discloses the Information of Seller, Buyer shall obtain written agreements obligating such persons to honor and protect the confidentiality of such Information. The provisions of this Paragraph 14 shall survive the performance, termination or cancellation of this Agreement, and either party shall, without limitation or any other remedies at law available to it, be entitled to seek appropriate equitable or injunctive relief in respect of a breach of this Paragraph without the necessity of proving damages.

15. Tooling. Seller shall retain title to, possession of, and the right to exclusive use of, all masks, tapes, plots, drawings, fixtures, patterns, test programs, equipment, manufacturing aids and similar devices, made or obtained for the performance of this Agreement, without regard to whether a separate charge is made for the same.

Entry and similar test programs available to us for use as required under this agreement if we select use them

16. 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.

17. 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 to such party to enforce each and every provision.

18. 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.

19. 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, including, but not limited to, the provisions regarding warranties; and (b) the purchase and use of the Products. Such excluded damages and expenses shall include, without limitation, costs of removal and installation of the Products, loss of goodwill, loss of profits or loss of use. Further, Seller shall not be liable to Buyer for any amount in excess of the sums received hereunder for the sale of the Products to Buyer.

20. Notices. All notices or communications required by this Agreement (other than purchase orders and acknowledgements) 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 Division
600 West John Street
Hicksville, New York 11802
Attn: R. Norwood

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

General Instrument Corporation
1775 Broadway
New York, New York 10019
Attn: Legal Department

and, if to Buyer, to

Mattel, Inc.
Mattel Electronics Division
5150 Rosecrans Avenue
Hawthorne, California 90250
Attn:

21. 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 or Buyer or that part of the business of either used in the performance of this Agreement, but shall not be otherwise assignable. Nothing in 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.

22. Merger. This Agreement, including all exhibits, and the acknowledged orders of Buyer with respect to quantities of

the Products, shall constitute the final, complete and exclusive written expressions of all terms of the sale and purchase of the Products and related matters. This writing shall supersede all previous communications, representations, agreements, promises or statements either oral or written, with respect to such transactions and no communications, representations, agreements, promises or statements of any kind made by Seller or a representative of Seller, which are not herein stated, shall be binding on Seller. No addition to or modification of any printed provision of this Agreement shall be binding upon Seller unless made in writing and signed by an officer of 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 Division

By _____

General Instrument Corporation
Microelectronics Division

By _____
Edgar A. Sack-Senior Vice President

GENERAL INSTRUMENT CORPORATION
Inter-Office Memorandum

January 19, 1979

FROM: K. Greenberg

TO: D. Bogart (Mattel)
J. Robertson (Sylvania)
T. O'Brien (Jerrold)
G. Dash (Dash-Strauss)

*CC: J. Rochlis (Mattel)
D. Chandler (Mattel)
H. Cohen (Mattel)
D. McGuire (Sylvania)
C. Dages (Jerrold)
A. Secor (Mattel)
R. Norwood (GI)
E. Sack (GI)
L. Solomon (GI)

SUBJECT: Mattel Intellivision Documentation


The enclosed documentation package contains the current revision of each of the following drawings:

<u>Title</u>	<u>Drawing No.</u>	<u>Date</u>	<u>Rev.</u>
Mattel Logic Board	39-133	January 18, 1979	P
Logic Board P.C. Layout	39-157	January 19, 1979	B
Logic Board Assembly	39-165	December 12, 1978	A
Mattel Cartridge Board	39-121	January 18, 1979	D
Cartridge Board P.C. Layout	39-158	October 29, 1978	A
Cartridge Board Assembly	39-167	January 19, 1979	A
Mattel Power Supply Board (Double PI)	39-125	October 24, 1978	F
Mattel Power Supply Board (Single PI)	39-125	January 15, 1979	G
P.S. Board P.C. Layout	39-159	October 29, 1978	A
P.S. Board Assembly	39-166	November 28, 1978	A
Parts List	39-147	January 19, 1979	D

*Memo only

January 19, 1979
Page 2

<u>Title</u>	<u>Drawing No.</u>	<u>Date</u>	<u>Rev.</u>
Memory Map	39-148	December 12, 1978	D
Cartridge Connector	39-149	January 19, 1979	D


K. Greenberg

KG/cb
Attachments

ATTACHMENT

Dave -
This is the list of
questions given to GI
in New York. Wagner wants
resolution by 2/10, will be talking
to Sack on that date. FYI.
Howard

1. Mattel requires formal price confirmation and a detailed description of the entire microprocessor complement ("chipset"), including the 20K cartridge ROM. There appears to be a conflict in quotations to date.
2. The Average Quality Level (AQL) of the microprocessor's or chipset must be determined in order for Magnavox to confirm an AQL to Mattel. If the combined AQL to Mattel exceeds 2½%, what are the incremental costs to meet the 2½% level?
- 100% 3. The testing method to be used by Mattel and Magnavox, presently described as a "test ROM cartridge", must be defined. This test method is intended to be used for incoming sampling of the chipset and for outgoing sampling of the assembled console. Additionally, an independent evaluation by General Instrument of the test results obtainable via use of this testing method (relative to percent of possible defects tested) is desired.
4. In conjunction with the definition of the test ROM cartridge; the costs, responsibility for programming and ROM production schedule, quantity, alternatives to this method (if any) duration of test and associated assembly costs, and approval rights by Mattel must be detailed. Any associated costs or requirements (e.g. test fixtures) should be identified and detailed (at General Instrument and Magnavox).
5. Will the microprocessor's be delivered and tested as single chips or a chipset? If delivered as a chipset, will delivery be in "Kit" form?
6. If a microprocessor or chipset lot is rejected during incoming inspection, what is the plan to support production during sorting or retesting?
7. According to industry sources, the failure rate of microprocessors during the first 48 hours of operation exceeds 10%. Is General Instrument going to "burn-in" (expose to operating temperatures and conditions) the microprocessor's or chipset for 48 hours? If yes, does this incur incremental costs? If no, does General Instrument refute the need, offer an alternative, or propose a special warranty?
8. Is General Instrument designing the console circuit boards to the perimeter measurements provided by Dr. Chandler? Does General Instrument understand that variations are totally unacceptable to Mattel, causing the tooling schedule to begin anew? What is status of design? Is there a cost to Mattel (and how much, if any) for design, artwork, masks, samples, prototypes, testing, etc?

ATTACHMENT

9. The console circuit board design is required by February 6, 1978 to avoid effecting the schedule for FCC approval. Will this date be met? If not, when will the design be completed?
10. There appears to a consensus among the companies that some amount (2,000 to 10,000) of the first consoles should use sockets in lieu of hard soldering for microprocessor placement. This action is to enable rework of the console chipset, if necessary. Mattel desires an opinion as to need and quantity and a clear detailing of costs and alternatives available in best and worse cases.
11. Per question three, Mattel must have a detailed test specification for the test ROM cartridge and a reject-accept criteria submitted for our approval for both the test ROM itself and for the function it is to perform. Will General Instrument do this specification? Is there an associated cost?
12. General Instrument had committed to supplying five stuffed, not necessarily functional, PC Boards in Las Vegas. Mattel has not received these and needs them for internal work. Additionally, Mattel needs 24 functional sample boards (with as many chips as available) by March 15, 1978. Will these be made by General Instrument, on time, at no charge? Will General Instrument supply components for these boards immediately upon availability?
13. Mattel needs a milestone or weekly goal chart for the chipset in order to follow progress, along with weekly status reports. Right now, we need confirmation of the chipset schedule (last reports were contradictory, previous report was first iteration still scheduled for mid-March).
14. Mattel needs detailed projections of General Instrument's date to start production of the chipsets and of weekly and total quantities. We must have a schedule showing General Instrument's production plans, including production learning curve and historical efficiency. This schedule should apply to Mattel product only, but upside capacity availability is desired also. The present schedule is for 2,000 units to be produced in June (unless FCC approval is delayed) and 5,000 per week beginning in late July.
15. Will General Instrument sell a small quantity of chipsets to Mattel at the going volume price for Mattel's warranty program (in-house repair) for a period of five years?

ATTACHMENT

16. The status of contracts and orders is confused. The original agreement at Magnavox was to be a Mattel order to Magnavox and a Magnavox Order/Contract to General Instrument. General Instrument later chose to change this agreement, but General Instrument has not indicated what they want. Please state General Instrument's position on orders, contracts, costs, procedure, responsibilities, etc.
17. The parts list for the console must be resolved. When will it be final?
18. Why are commissions to external reps being paid when Mattel does not receive any direct or indirect benefits?
19. The FCC Consultant (Glen Dash) has not been in contact with Mattel. At last meeting, General Instrument desired to contract with him and asked Mattel to wait. Later, he was to contact Mattel and submit a proposal.

Some immediate questions include whether he will assemble and/or coordinate the first-shot submission units, associated costs, the cartridge requirements, FCC fees, whether UL approval is required before FCC submission, and the schedule parameters. Additionally, Mattel wants his written confirmation that the design appears to be sound. For example, is there room for shielding as required by the FCC per Mattel's housing layout drawing.

20. Will General Instrument design the PC Board for the cartridge. What are associated costs, if any, and schedule milestone requirements?

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Exhibit A = List of Products

Exhibit B = List of Specification

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Exhibit D = List of Delivery Requirements (Schedule Per PN)

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5.

(i) Buyer may, at its sole option and expense, establish and maintain on-site inspectors at the Seller's plant to expedite the Buyer's inspection and acceptance of the Products. Such on-site inspectors may be either employees of Buyer or designated agents therefor.

(ii) Acceptance of the Products by an on-site inspector shall be deemed to be acceptance by Buyer. Within a 30 Day period after acceptance, Buyer shall be entitled to reject lot if system compatability test fail the specified levels.

(iii) On-site inspector shall not interfere with, delay or otherwise obstruct the operation of the Seller's facility. However, inspector may request production of Buyer product be curtailed in the event workmanship or quality do not conform to the requirements of Exhibit E.

(2) In the event Buyer shall not exercise the option set forth in (a) (1) above, the following shall apply:

(i) Buyer may inspect the Products at any reasonable place and time, including Buyer's plant or any other point of destination specified on the Buyer's purchase order or shipment release.

6.

(ii) If Buyer shall designate an agent to perform such inspection and acceptance, the Products shall be deemed to be accepted by Buyer upon acceptance by such agent except as noted in Para. 6 (1) (ii).

(iii) If, within sixty (60) days of the receipt of a shipment, Seller shall not receive written notification of non-conformity from either Buyer or its agent, said shipment shall be deemed to be accepted.

(b) Within sixty (60) days of receipt of a shipment, Buyer or its agent shall be entitled to reject any Products which have been tested by Buyer and do not meet the specifications set forth in Exhibit B. The Buyer shall accept Product on a lot by lot basis. Acceptance criteria shall be per Exhibit B and E. Each item or device set forth in Exhibit A shall be independently measured from all other items or devices to determine whether such item or device meets the foregoing Process Average Test. Additionally, a system test will be performed using random selection of parts to an LTPD of $\frac{1}{2}$ if either the individual or system test fail, the lot shall be rejected.

(c) In the event Buyer or its agent shall reject any of the Products hereunder in accordance with Paragraph (b) above, Seller shall be given prompt notice thereof and an opportunity to inspect at the inspection location of Buyer or its agent.

(d) Any Products rejected in accordance with Paragraph (b) above and found to be non-conforming by Seller shall be repaired

7.

or replaced, at Seller's option provided critical shortages do not exist. If Products are needed to sustain production, the quickest method shall be used. Seller may perform any minor repair work at the inspection location of Buyer or its agent provided it does not interfere with normal production activities. In no event shall Seller be liable to Buyer in any manner for such non-conforming Products except for said repair or replacement thereof.

(e) Product qualification per Exhibit B and E may be performed initially and at various periods throughout the contract duration. In the event that tests are failed, supplier shall take prompt action to identify failure modes and implement corrective action. Three successive failures will constitute lack of performance by the supplier and the Buyer may terminate contract with no obligation.

(f) In the event that two (2) successive lots are failed for the same reason, the supplier shall take prompt action to identify the failure modes and take appropriate corrective action. Failure to do so will constitute lack of performance and the Buyer may terminate the contract with no obligation.

7. Delivery.

(a) The Delivery requirements are set forth in Exhibit "D." Time is of the essence.

(b) In the event that Seller shall be in arrears of an acknowledged, scheduled shipment, which delay shall not be caused by an event described or intended by Paragraph 13 hereof, by Sixty (60) days or more prior to September 1, 1979, Buyer may, at any time prior to the time Seller ships such quantity in arrears, cancel without cost the quantity then in arrears, or any portion thereof, upon written notice to Seller. Buyer shall have

no right of cancellation if Seller shall be in arrears by less than Sixty (60) days, regardless of the extent of such arrears. The cancellation privilege provided herein shall be the Buyer's sole and exclusive remedy with respect to any arrears of acknowledged and scheduled shipments hereunder.

8. Agency. (a) Buyer may at any time and from time to time, upon written notice to Seller, appoint agents for the performance of certain acts, related to the Products, including, but not limited to, inspection and acceptance, order and release for shipment, receipt of shipments, settlement of claims, changes in the Products and specifications and the like.

(b) Notwithstanding the foregoing notice of appointment, once Buyer confirms such agents authority in writing, Seller may rely on the advice and instructions of any such agent within the scope of such agents authority.

(c) 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, whether or not such acts shall be within the scope of the agency.

9. Second Source. In the event that Seller shall not be able to perform this Agreement as provided in Paragraph 13 hereof or the quantities of the Products specified on Buyer's orders and releases thereof exceed Seller's capacity to manufacture and ship and Buyer requests in writing that Seller establish a second source of supply for the Products, Seller shall use its best efforts to enter into an agreement with a subcontractor selected by Buyer who shall manufacture the items and quantities of the Products specified by Seller. All design data, process data, and test procedures will be made available to the selected subcontractor. Additionally, process and product engineering support will be made available as required

TERMS AND CONDITIONS
OF SALE AND PURCHASE

AGREEMENT made as of the _____ day of January, 1979, 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 ^{Division of} 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 which shall supersede the standard terms and conditions set forth in their respective purchase order and order acknowledgement forms;

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 or in addition to 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 Paragraph 23 hereof. NOTE: PARAGRAPH 23 DOES NOT EXIST.

2. Products. (a) The Products purchased 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 a writing in accordance with Paragraph 22 hereof.

(b) The Products shall be manufactured and shall perform in accordance with certain specifications to be agreed to by the parties hereto in writing and attached to this Agreement as Exhibit B. In consideration of the importance and materiality of said specifications to this Agreement, if the parties shall be unable to agree upon said specifications, including inspection, testing and acceptance standards and procedures, by March 31, 1979, or such later date as shall be agreed to by the parties in accordance with Paragraph 22 this Agreement shall be deemed to be null and void. In such event, neither party shall have any liability to the other party, except as provided in Paragraphs 14 and (c) below, on account of their inability to agree upon said specifications or on account of this Agreement.

(c) Notwithstanding the foregoing provision, in the event Buyer shall give Seller a production release for the

Products prior to an agreement between the parties regarding said specifications, ^{SELLER} Buyer shall be liable ~~to Seller~~ for all costs incurred by Seller in connection with such production release ~~if the parties shall be unable to reach an agreement regarding~~ ^{IN THE EVENT THAT PARTS PRODUCED DO NOT PROVIDE SPECIFIED SYSTEM PERFORMANCE.} ~~said specifications or if such agreement results in specifications different from those utilized to produce the aforesaid Products.~~

3. Prices. Prices for the Products shall be quoted by Seller from time ^{TO INCLUDE PRICE REDUCTIONS DUE TO PRODUCTIVITY IMPROVEMENT} to time ~~and attached hereto as~~ Exhibit C. All such prices shall be F.O.B. Seller's shipping plant and shall not include any taxes or duties, now or hereafter enacted, applicable to the items or to this transaction, all of which taxes and duties shall be Buyer's responsibility. Such taxes and duties shall be added by Seller to the sales price hereunder, where appropriate and paid by Buyer. ^{HOWEVER NOT TO EXCEED PRICING IS INCLUDED IN}

4. Payment Terms. Terms of payment shall be net thirty (30) days after date of invoice or date of delivery, whichever is later. ~~Seller shall have the right, at any time, to change the amount of credit or terms of payment or to withdraw credit, and to require partial or full payment in advance as a condition of making further shipments.~~ If Seller delivers in installments, each installment shall be deemed to be a separate delivery for purposes of this paragraph ^{AND QUALITY ACCEPTANCE.} Anything herein to the contrary notwithstanding, if shipments shall be delayed at Buyer's request, payment shall be due ^{30 DAYS AFTER} on the date Seller is prepared to make shipments. Goods held thereafter by Seller or carrier for Buyer shall be at Buyer's ~~sole risk and expense.~~

5. 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, to secure lowest transportation costs and to comply with, all requirements of common carriers. Buyer's order numbers, part numbers, quantities and symbols shall be marked on all invoices, packages, bills of lading, shipping orders and correspondence. Shipping memoranda or packing lists shall accompany each shipment of the Products. 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.

(c) Title and risk of loss or damage to the Products shall pass to Buyer when ^{PARTS ARE DELIVERED TO THE BUYER} ~~Seller delivers the Products into possession of a carrier for shipment to Buyer, the carrier being deemed to be an agent for Buyer.~~

6. 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.~~ AND E

(1) On-Site inspection and acceptance:

(i) Buyer may, at its sole option and expense, establish and maintain on-site inspectors at the Seller's plant to expedite the Buyer's inspection and acceptance of the Products. Such on-site inspectors may be either employees of Buyer or designated agents therefor.

(ii) Acceptance of the Products by an on-site inspector shall be deemed to be acceptance by Buyer.

~~After such acceptance Seller's liability, if any, to Buyer within a 30 DAY PERIOD AFTER ACCEPTANCE, Buyer shall be governed by Paragraph 10 hereof. In no event, shall Buyer be entitled, after acceptance by an on-site inspector, to withhold payment of any invoice or part thereof for any reason whatsoever.~~

ENTITLED TO REJECT LOT IF SYSTEM COMPATIBILITY TESTS FAIL THE SPECIFIED LEVELS.

(iii) ~~In no manner shall an on-site inspector SHALL NOT interfere with, delay or otherwise obstruct the operation of the Seller's facility. Buyer shall indemnify and hold Seller harmless from any liability caused by any such obstruction.~~

HOWEVER INSPECTOR MAY REQUEST PRODUCTION OF BUYER PRODUCT BE CURTAILED IN THE EVENT WORKMANSHIP OR QUALITY DONOT CONFORM TO THE REQUIREMENTS OF EXHIBIT E

(2) In the event Buyer shall not exercise the option set forth in (a)(1) above, the following shall apply:

(i) Buyer may inspect the Products at any reasonable place and time, including Buyer's plant or any other point of destination specified on the Buyer's purchase order or shipment release.

(ii) If Buyer shall designate an agent to perform such inspection and acceptance, the Products shall be deemed to be accepted by Buyer upon acceptance by such agent ~~EXCEPT~~ AS NOTED IN PARA. 6 DU (ii)

(iii) If, within ~~thirty~~ ^{SIXTY} (30) ⁶⁰ days of the receipt of a shipment, Seller shall not receive written notification of non-conformity from either Buyer or its agent, said shipment shall be deemed to be accepted.

(b) Within ~~thirty~~ ^{SIXTY} (30) ⁶⁰ days of receipt of a shipment, Buyer or its agent shall be entitled to reject any Products which have been tested by Buyer and do not meet the specifications set forth in Exhibit B. ^{YE} ~~The Products manufactured by Seller~~

~~shall not exceed a 1% Process Average rejection rate. The~~ ~~THE BUYER~~ SHALL ACCEPT PRODUCT ON A LOT BY LOT BASIS. ACCEPTANCE term "Process Average" as used herein shall mean that the rejection CRITERIA SHALL BE PER EXHIBIT B AND E.

~~rate of the Products based on the specifications set forth in Exhibit B shall not exceed 1% of the entire quantity of each item or device of the Products shipped hereunder. Each item or device set forth in Exhibit A shall be independently measured from all other items or devices to determine whether such item or device meets the foregoing Process Average test.~~ ADDITIONALLY A SYSTEM TEST WILL BE PERFORMED USING RANDOM SELECTION OF PARTS TO AN LTPD OF ^{1/2} IF EITHER THE INDIVIDUAL OR SYSTEM TEST FAIL, THE LOT SHALL BE REJECTED.

(c) In the event Buyer or its agent shall reject any of the Products hereunder in accordance with Paragraph (b) above, Seller shall be given prompt notice thereof and an opportunity to inspect at the inspection location of Buyer or its agent.

(d) Any Products rejected in accordance with Paragraph (b) above and found to be non-conforming by Seller shall be repaired

or replaced, at Seller's option. ^{PROVIDED CRITICAL SHORTAGES DO NOT EXIST. IF PRODUCTS ARE NEEDED TO SUSTAIN PRODUCTION, THE QUICKEST METHOD SHALL BE USED.} Seller may perform any minor

repair work at the inspection location of Buyer or its agent. ^{PROVIDEN IT DOES NOT INTERFERE WITH NORMAL PRODUCTION ACTIVITIES.} In no event shall Seller be liable to Buyer in any manner for

such non-conforming Products except for said repair or replacement

thereof. (E) PRODUCT QUALIFICATION PER EXHIBIT B AND E MAY BE PERFORMED ~~BE~~ INITIALLY AND AT VARIOUS PERIODS THROUGHOUT THE CONTRACT ~~PERIOD~~ DURATION. IN THE EVENT THAT TESTS ARE FAILED, SUPPLIER SHALL TAKE PROMPT ACTION TO IDENTIFY FAILURE MODES

timely

~~(e) Seller may impose a reinspection charge of not more than \$0.25 per unit if the Products rejected by Buyer are~~ AND IMPLEMENT CORRECTIVE ACTION. ~~THREE SUCCESSIVE FAILURES WILL CONSTITUTE LACK OF PERFORMANCE BY THE SUPPLIER AND THE BUYER MAY TERMINATE CONTRACT WITH NO OBLIGATION.~~

(F) IN THE EVENT THAT TWO (2) SUCCESSIVE LOTS ARE FAILED FOR THE SAME REASON, THE SUPPLIER SHALL TAKE PROMPT ACTION TO IDENTIFY THE FAILURE MODES AND TAKE APPROPRIATE CORRECTIVE ACTION. FAILURE TO DO SO WILL CONSTITUTE LACK OF PERFORMANCE AND THE BUYER MAY TERMINATE THE CONTRACT WITH NO OBLIGATION.

~~(a) Seller shall use all reasonable efforts to ship the Products in substantial compliance with Buyer's orders IN EXHIBIT "D". TIME IS OF THE ESSENCE. and releases as acknowledged by Seller.~~

In the event of dispute, arbitration to be used.

(b) In the event that Seller shall be in arrears of an ^a ~~acknowledged~~ scheduled shipment, which delay shall not be caused by an event described or intended by Paragraph 13 hereof, by ^{SIXTY (60)} ~~ninety (90)~~ days or more, ^{SEPTEMBER} ~~prior to October 1, 1979,~~ Buyer may, at any time prior to the time Seller ships such quantity in arrears, cancel without cost the quantity then in arrears, or any portion thereof, upon written notice to Seller. Buyer shall have no right of cancellation if Seller shall be in arrears by less than ^{SIXTY (60)} ~~ninety (90)~~ days, ~~or after October 1, 1979,~~ regardless of the extent of such arrears. The cancellation privilege provided herein shall be the Buyer's sole and exclusive remedy with respect to any arrears of ~~acknowledged~~ and scheduled shipments hereunder.

8. Agency. (a) Buyer may at any time and from time to time, upon written notice to Seller, appoint agents for the performance of certain acts, related to the Products, including, but not limited to, inspection and acceptance, order and release for shipment, receipt of shipments, settlement of claims, changes in the Products and specifications and the like.

(b) Notwithstanding the foregoing notice of appointment, ~~if the Buyer confirms such agent's authority in writing~~ Seller may rely on the advice and instructions of any such agent ~~without regard as to whether such agent had authority, actual or apparent, to act in such manner on behalf of Buyer.~~ ^{WITHIN THE SCOPE OF SUCH AGENTS AUTHORITY}

(c) 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, ~~whether or not~~ ^{unless} such acts ^{are not} shall be within the scope of the agency.

9. Second Source. In the event that Seller shall not be able to perform this Agreement as provided in Paragraph 13 hereof or the quantities of the Products specified on Buyer's orders and releases thereof exceed Seller's capacity to manufacture and ship and Buyer requests in writing that Seller establish a second source of supply for the Products, Seller shall use its best efforts to enter into an agreement with a subcontractor ^{approved} ~~of its~~ ^{Selected} By Buyer ~~choice~~ who shall manufacture the items and quantities of the Products specified by Seller. ~~Any such subcontractor shall be under the direction and control of Seller and shall not sell the Products directly to Buyer.~~ ^{ALL DESIGN DATA, PROCESS DATA AND TEST PROCEDURES WILL BE MADE AVAILABLE TO THE SELECTED SUBCONTRACTOR.} ^{ADDITIONALLY PROCESS AND PRODUCT ENGINEERING SUPPORT WILL BE MADE AVAILABLE AS REQUIRED TO SUPPORT A TIMELY START UP.} Buyer will then be free to purchase its requirements directly from the second source, at its option.

10. Seller's Warranty.

(a) Seller warrants to Buyer that the Products accepted by Buyer hereunder shall comply with the specifications set forth in Exhibit ~~B~~ ^(AND E) and under normal use shall be free from ^(AS PRESCRIBED IN INTELLIVISION APPLICATION) defects in materials and workmanship for a period of ~~ninety~~ ^{ONE HUNDRED EIGHTY} ~~(90)~~ ³⁶⁵ days after the date of shipment by Seller thereof. Seller's liability under this warranty shall not extend to any other person or entity other than Buyer ^{OR HIS SUBCONTRACTORS & AGENTS} 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) Seller shall have no liability under this warranty

for:

(i) any costs and expenses incurred to remove the Products from any installation ^{UNLESS THE FAILURES ARE CAUSED BY DEFECTIVE MATERIAL AND WORKMANSHIP}

(ii) any Products which have been altered, replaced, repaired or serviced by others ^{THAN THE BUYER'S SUBCONTRACTORS AND AGENTS.} without Seller's consent; and

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

~~(c) If Seller shall determine that Products returned under this warranty are:~~

(i) not defective, Seller may charge Buyer a minimum amount of \$200.00 per return or \$1.00 per unit of the Products, whichever is greater, to offset Seller's warranty inspection costs; or

(ii) defective, but not within the scope or term of Seller's warranty, Seller shall notify Buyer of Seller's charges to inspect the Products and determine the cause of the defects. Seller shall not inspect such Products until Buyer consents in writing to pay such charges of Seller.

THE FOREGOING WARRANTIES OF SELLER ARE EXCLUSIVE AND ARE IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED. SELLER SPECIFICALLY DISCLAIMS THE IMPLIED WARRANTIES OF MERCHANTABILITY, ^{FITNESS FOR A} ~~FITNESS FOR A~~ PARTICULAR PURPOSE ^(OTHER THAN INTELLIVISION) AND THE WARRANTY AGAINST INFRINGEMENT, INCLUDING, BUT NOT LIMITED TO, PATENTS, TRADEMARKS AND COPYRIGHTS SPECIFIED IN THE UNIFORM COMMERCIAL CODE.

11. Termination.

(a) Either party shall have the right to terminate this Agreement upon ^{30 DAYS} prior written notice to the other party to such effect.

(b) (1) In the event Buyer shall terminate this Agreement, Seller shall be permitted to ship and Buyer shall accept delivery of:

(i) the finished Products presently in Seller's inventory not to exceed a quantity equal to the scheduled shipments for ^{TWENTY (20)} ~~sixty (60)~~ days immediately after the effective date of said termination; and

(ii) an additional quantity of the Products equal to the number of Products which can be manufactured from the ~~raw materials and goods in~~ ^{WAFERS CURRENTLY IN} Seller's manufacturing process at the date of termination, which Products can be completed and shipped within ~~ninety (90)~~ ^{SIXTY (60)} days after the effective date of said termination.

(2) In lieu of (b) (1) (ii) above, Buyer may elect in the termination notice to Seller, to pay termination charges equal to all costs, direct or indirect, 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 termination charges be verified by Arthur Young & Company, ~~provided, however, that any~~ ^{AS WITNESSED BY THE BUYER.} information disclosed by Seller to Arthur Young & Company shall be deemed confidential ~~and shall not be disclosed to~~ ^{BY BUYER. SELLER will make all documentation received from auditors available to BUYER, as well as working papers, documents, analysis, reports, and summaries supplied to the auditors by the SELLER.} Buyer under any circumstances.

~~(3) Further, upon termination in accordance with Paragraphs (b) (1) or (2) above, Seller shall be entitled to reinvoice the Products previously shipped to effect a price adjustment reflecting the difference, if any, between price based on the quantity ordered and price based on the quantity actually shipped.~~

12. Quantities. Any variation in quantities shipped over ~~or under~~ the quantities ordered and released (not to exceed 5%)

shall constitute compliance with Buyer's order and release and the unit price shall continue to apply. ~~All claims for shortages shall be made in writing within thirty (30) days after the date of receipt of shipment.~~

13. 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 the control of either Seller or Seller's suppliers, including, but not limited to, war (whether an actual declaration thereof is made or not), sabotage, insurrection, riot or other act of civil disobedience, act of a public enemy, failure ~~or delay~~ in transportation, act of any government or any agency or subdivision thereof affecting the terms of this Agreement or otherwise, judicial action, ^{non-local labor dispute} ~~labor dispute~~, accident, fire, explosion, flood, storm or other Act of God, ~~shortage of labor, fuel, raw materials, tools, dies or equipment, technical or yield failure~~ or disapproval by the Federal Communications Commission. Any such delays shall excuse Seller from timely performance, and Seller's time for performance shall be extended, for the period of the delays and for a reasonable period thereafter, ^{Providing SELLER makes all reasonable efforts to recover from such conditions.} ~~if any contingency~~ ^{shortages} occurs.

Seller may allocate production and deliveries among any or all of Seller's customers ^{currently under contract.} ~~as Seller may determine, including, without limitation, regular customers not then under contract and Seller's (including Seller's subsidiaries and affiliates) own requirements for further manufacture or other use.~~ ^{HOWEVER BUYER HAS 1ST RIGHT}

BUYER may, at its option, cancel this contract for non-performance anytime after sixty (60) days of continuing production interruption where SELLER has not made reasonable efforts to recover. BUYER may, at its option, cancel this contract for its convenience pursuant to ~~Article 11~~ ^{Article 11} ~~and is free~~ ^{and is free} ~~sixty (60)-days of continuing production interruption caused by continuing force majeure~~

14. Proprietary Rights and Confidentiality.

} Add "BUYER" wherever "SELLER" is mentioned.

(a) All information, know-how, programming, software, trademarks, trade secrets, plans, drawings, specifications, designs and patterns furnished or created by Seller or by agents or contractors of Seller (other than Buyer) in connection with the sale of the Products and any and all property rights embodied therein are and shall remain the sole property of Seller and neither Buyer nor any other party shall have or acquire any interest therein.

THE RECIPROCAL AGREEMENT LIES WITH BUYER DEVELOPED OF PURCHASED DATA.

(b) Both parties recognize and acknowledge that any confidential, secret or proprietary information, including those matters set forth in Paragraph (a) above, ("Information") possessed by either one of them is a valuable business asset of such party and that disclosure of the Information would cause grave and irreparable injury to such party. Therefore, both parties shall at all times, whether during the term of this Agreement or subsequent thereto, honor, maintain the protect the confidentiality and secrecy of such of the Information as may be disclosed in connection with the performance of this Agreement. The recipient of the Information shall not disclose at any time, nor permit its officers, employees or agents to disclose at any time (either during their respective employment by the recipient or thereafter), nor appropriate or use on its own behalf or on the behalf of others any of the Information, without in each

instance first obtaining the written consent of the owner of the Information. The parties shall not make any copies of any of the Information ^(FOR DISTRIBUTION OUTSIDE OF THEIR RESPECTIVE PLANTS) without prior written consent of the other party and shall take appropriate action to restrict access to the Information to those of its employees and agents who have an actual need for such access in the course of their duties. In the case of agents, assemblers and subassemblers of ^{SELLER OR} Buyer or any third party to which Buyer ^{OR SELLER}, with the consent of ^{BUYER OR} Seller, discloses the Information of ^{the other} Seller, ^{the party} Buyer shall obtain written agreements obligating such persons to honor and protect the confidentiality of such Information. The provisions of this Paragraph 14 shall survive the performance, termination or cancellation of this Agreement, and either party shall, without limitation or any other remedies at law available to it, be entitled to seek appropriate equitable or injunctive relief in respect of a breach of this Paragraph without the necessity of proving damages.

15. Tooling. Seller shall retain title to, possession of, and the right to exclusive use of, all masks, tapes, plots, drawings, fixtures, patterns, test programs, equipment, manufacturing aids and similar devices, made or obtained for the

performance of this Agreement, ~~without regard to whether a separate charge is made for the same.~~ ^{UNLESS PAID FOR BY BUYER. IN THE EVENT THAT A SECOND SOURCE IS REQUIRED DUE TO LACK OF PERFORMANCE BY SELLER, REFERENCED TOOLING WILL BE MADE AVAILABLE TO ASSIST SECOND SOURCE START UP.}

16. 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.

Upon conclusion of the Contract, all BUYER owned (paid for) tooling will be made available in good condition (excepting normal wear) for shipment according to BUYER's direction so that BUYER may take possession.

17. 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 to such party to enforce each and every provision.

18. 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.

19. Limitation of Seller's Liability. In no event, ^{except for its negligence or willful misconduct,} 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, including, but not limited to, the provisions regarding warranties; and (b) the purchase and use of the Products. Such excluded damages and expenses shall include, without limitation, ~~costs or removal and installation of the Products~~, loss of goodwill, loss of profits or loss of use. Further, Seller shall not be liable to Buyer for any amount in excess of the sums received hereunder for the sale of the Products to Buyer.

20. Notices. All notices or communications required by this Agreement (other than purchase orders and acknowledgements) 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 Division
600 West John Street
Hicksville, New York 11802
Attn: R. Norwood

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

General Instrument Corporation
1775 Broadway
New York, New York 10019
Attn: Legal Department

and, if to Buyer, to

Mattel, Inc.
Mattel Electronics Division
5150 Rosecrans Avenue
Hawthorne, California 90250
Attn:

21. 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 or Buyer or that part of the business of either used in the performance of this Agreement, but shall not be otherwise assignable. Nothing in 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.

22. Merger. This Agreement, including all exhibits, and the acknowledged orders of Buyer with respect to quantities of

the Products, shall constitute the final, complete and exclusive written expressions of all terms of the sale and purchase of the Products and related matters. This writing shall supersede all previous communications, representations, agreements, promises or statements either oral or written, with respect to such transactions and no communications, representations, agreements, promises or statements of any kind made by Seller or a representative of Seller, which are not herein stated, shall be binding on Seller. No addition to or modification of any printed provision of this Agreement shall be binding upon Seller unless made in writing and signed by an officer of 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 Division

By _____

Title _____

General Instrument Corporation
Microelectronics Division

By _____

Title Edgar A. Sack - Senior Vice President