

Edward V. Egert
Senior Counsel

315-588-5881

November 8, 1978

Michael Weinstock, Esquire
Mattel Incorporated
5150 Rosecrans Avenue
Hawthorne, California 90250

HAND DELIVERED

Dear Mike:

As we discussed this afternoon, I enclosed a further revision to the proposed Mattel/CMO purchase agreement. This version is a mag card copy of the prior version with numerous typo corrections. In addition, it includes a new set of exhibits A, B, E, F and G. Exhibits C and D are being forwarded under separate cover.

I understand based on our conversation this afternoon that the following areas continue to remain open:

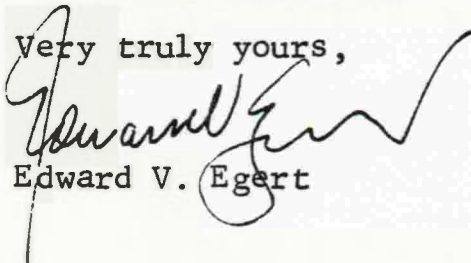
1. The warranty clause time coverage - I understand you are taking up the 180 days with your management.
2. Limitation of Liability - As with No. 1, above, you are taking this matter up with your management. We continue to be prepared to discuss a limited indemnification to Mattel for CMO's negligent workmanship.
3. The remaining substantive issue is the force majeure/GI question. We feel the current force majeure clause is equitable to both parties in view of the relationships involved here. You indicated that you would take this up with your management.

You also advised that you had reviewed revised Paragraph 11 and the new 16(iv) and although you had no objection, these clauses have not been reviewed by your business people. As to the question you raised concerning the last paragraph of Paragraph 16, I have looked at the wording and think it is O.K. as it stands. Specifically, we would assume responsibility if our estimate exceeded the accountant's determination but not if the estimate were under the accountant's determination.

Michael Weinstock, Esquire
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As you are aware, CMO is proceeding in a number of areas on the assumption that the issues described above will be resolved to the satisfaction of both parties. In that regard, we are prepared to elaborate further on CMO's position in these areas if you management feels this would be helpful. I personally hope that the positive momentum of this program will not be sapped by overemphasis upon theoretical possibilities rather than focusing on probabilities.

I look forward to hearing the results of your management's review of the enclosed at your earliest convenience.

Very truly yours,

Edward V. Egert

EVE/drm
Enc.



Electronic Components Group
Circuit Module Operation
P.O. Box 360
Muncy, Penna. 17756
717 546-3191

November 8, 1978

Mattel Incorporated
5150 Rosecrans Ave.
Hawthorne, California 90250

Attn: Michael Weinstock, Esq.

Subject: GTE Sylvania/Mattel Agreement

Dear Mike:

Enclosed please find copies of Exhibit C and Exhibit D for the subject Agreement which were omitted from the latest copy of the Agreement forwarded to you by Ed Egert on November 8, 1978.

Very truly yours,

GTE SYLVANIA INCORPORATED

A handwritten signature in cursive script, appearing to read 'Robertson'.

JOHN R. ROBERTSON
Sales Engineer

JRR/pf
Enclosure
cc: Mr. Ed Egert

PURCHASE AGREEMENT

Agreement made this _____ day of November, 1978, by and between GTE Sylvania Incorporated, Circuit Module Operation, having a place of business at Muncy, Pennsylvania (hereinafter called "Seller" or "CMO") and Mattel Electronics, a division of Mattel, Inc., having a place of business at Hawthorne, California (hereinafter called "Buyer" or "Mattel").

WHEREAS, Seller manufactures electronic products and is willing to manufacture electronic video game products in accordance with designs and specifications heretofore developed by Buyer and furnished to the Seller; and

WHEREAS, Buyer is willing to purchase such electronic video game products upon the terms and conditions hereinafter provided;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, and intending to be legally bound, the parties agree as follows:

1. QUANTITY AND DELIVERY - Seller agrees to sell and Buyer agrees to purchase and pay for 200,000 electronic video game products to be delivered to Buyer on the dates and in the quantities set forth in the attached Exhibit "A".

2. PRICE - The prices to be paid by Buyer to Seller for electronic video game products purchased hereunder are set forth in Exhibit "B", attached.

3. VIDEO GAME PRODUCTS - The electronic video game products to be delivered hereunder (hereinafter "Products") shall conform to the Buyer's design and specifications set forth in Exhibit "C" attached hereto.

4. WARRANTY - Seller warrants that the Product sold hereunder will be in substantial conformity with the Buyer's design and the specifications set forth in Exhibit "C" and free from defects in CMO supplied material and workmanship. Seller's obligations under this warranty and Buyer's exclusive remedy for breach thereof shall be limited to (at Seller's option) repairing or replacing or granting a credit at the prices invoiced at the time of shipment of said Product which shall be returned to Seller in accordance with the "WARRANTY ADJUSTMENTS" clause set forth below, and which are, after inspection, disclosed to have been defective in the form in which they were delivered by Seller. Seller's obligation under this warranty will terminate ninety (90) days from the date of purchase by a consumer but in no event more than one hundred eighty (180) days from Seller's delivery to a carrier as provided in Paragraph 7 hereof. This warranty shall not apply to any Product which shall have been repaired or altered, except by Seller, or which shall have been subjected to physical or electrical abuse or misuse.

Seller's warranty shall run to Buyer only. Buyer and Seller agree that OTHER THAN AS SET FORTH ABOVE, THERE ARE NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING THAT OF MERCHANTABILITY OR FITNESS FOR USE FOR A PARTICULAR PURPOSE, MADE BY SELLER IN RESPECT TO ANY PRODUCT SOLD HEREUNDER.

5. WARRANTY ADJUSTMENTS - If Buyer wishes to return Product pursuant to the "WARRANTY" clause, it shall first obtain and comply with return instructions from the Seller's authorized representative. Following receipt of such instructions, shipment shall be made in accordance with such instructions, freight prepaid by the Buyer. The package in which Products are returned must be able

to withstand normal freight handling and shall include a packing list stating the quantity of Products being returned, the invoice number of the original shipment and a detailed description of the reason for such return.

Upon receipt, Seller will inspect the returns by appropriate means and notify Buyer of its findings regarding the Seller's responsibility. Returns found to be Seller's responsibility under the "WARRANTY" clause set forth above will be repaired or replaced, or credited to the Buyer at Seller's option and Seller shall reimburse Buyer for prepaid freight. Returns found to be defective and to be the Buyer's responsibility will be repaired or replaced, at Buyer's option and cost. Returns found to be serviceable without defect will be returned to the Buyer, freight collect.

Disputes concerning warranty responsibility will be resolved by the mutual agreement of the General Managers of Mattel Electronics Division and the Circuit Module Operation. In the event such dispute cannot be mutually resolved then the matter ^{will} ~~may~~ be arbitrated in accordance with paragraph 23.

Seller agrees to negotiate in good faith with Buyer to achieve a mutually agreeable alternative arrangement for in-warranty repairs by a service organization selected by Buyer.

6. LIMITATION OF LIABILITY - The parties agree that Seller shall not be liable to or through Buyer in tort, contract, warranty or otherwise for any special or consequential damages of any nature including without limitation, Buyer's lost profits or revenues with respect to any Products sold hereunder.

Buyer agrees to indemnify and hold Seller harmless from all liability and expenses (including reasonable attorneys fees) from: all claims or suits for special or consequential damages; all claims of Buyer's customers, consumers, users of the Products, or others whose claims arise out of the ownership, sale or operation of the Products.

It is further expressly agreed and understood that this limitation of liability and indemnification shall apply to all claims or suits (including without limitation claims or suits alleging breach of contract, breach of warranty, strict liability in tort, products liability, negligence, latent defects or similar causes of action) which may be claimed by Buyer or claims alleging one or more of the legal theories set forth above by third parties.

7. TITLE AND DELIVERY - All Product sold hereunder will be delivered FOB, Seller's factory and delivery of Product will be deemed made and Seller's liability for loss or damage in transit will cease and title and risk of loss shall pass to Buyer upon Seller making delivery of Product to a carrier at the point of shipment, the carrier acting as the Buyer's agent.

8. FINAL INSPECTION AND ACCEPTANCE - Final inspection of Product will be made at Seller's factory in accordance with, *and to the standards of,* the test procedures and specifications set forth in Exhibit "D" hereto. Buyer appoints and authorizes Seller as its agent to perform said tests. Seller *and must the specifications set forth* accepts such appointment and agrees to perform the tests *specified* in Exhibit "D" on all Product delivered hereunder.

Buyer shall have the right to audit Seller's test results periodically or place a limited number of its employees at Seller's plant in Muncy/Williamsport, Pennsylvania, and in the plant or plants of any of Seller's subcontractors, to witness Seller's, or such subcontractor's final inspection and testing of Product.

9. CONSIGNED MATERIAL - Buyer will furnish Seller on consignment and ~~who~~ ~~at~~ ~~cost~~ with the matched game chip₁ (Integrated Circuit) ~~sets~~ ~~described~~ ~~in~~ ~~Exhibit~~ ~~"E"~~ attached hereto (hereinafter "Chips") in the quantities therein specified, which Chips are required for the manufacture of the quantity of Product as set forth in Exhibit "A". All Chips provided hereunder shall meet the standards and specifications listed in Exhibits "C", "D", and "E" and will be furnished in the quantities and at the ~~rate~~ ^{reasonably} required by Seller to support the manufacture and delivery of Product. All such consigned material will be delivered FOB Seller's factory.

In the event Chips in sufficient quantities are not delivered to Seller in a timely manner or other similar circumstances caused by the Buyer or Buyer's Chip vendor, Buyer will reimburse Seller for all reasonable costs incurred as a consequence of any readjustment to the delivery schedule and/or manpower requirements. Substantial failure of Buyer's Chip vendor to supply acceptable consigned material in a timely manner will be deemed a termination for Buyer's convenience and will not be deemed an excusable delay unless Buyer promptly directs Seller to continue manufacturing and shipping Products without such consigned material pursuant to the "Design Changes" clause (paragraph 13).

10. PRODUCT DESIGN - Buyer shall have sole responsibility for Product design, including without limitation, any design deficiencies, the drawings and specifications in Exhibit "C" the test procedures and specifications in Exhibit "D" and the recommended component purchase specifications described in Paragraph 11. Buyer represents to Seller that Product built in conformance to said design drawings and specifications in Exhibit "C" with components as documented per Paragraph 11 and tested in conformance to Exhibit "D" will result in the Product performance and reliability specified in Exhibit "C". Buyer agrees to reimburse Seller for its costs incurred (of the type described in paragraph 16B) as the result of the obsolescence of any raw material or work in process (including labor) rendered obsolete by changes required to correct Product deficiencies. Seller agrees to review all specifications delivered to it by Buyer and to give Buyer prompt notice of any matters coming to its attention which it feels will hamper Product production performance or reliability hereunder whereupon Buyer will promptly make changes as needed to correct such deficiencies. However, no such review or notice or lack of notice will be deemed to alter Buyer's exclusive responsibility for the Product design and specification of components and for the resulting Product functional performance and reliability.

11. Component Qualification and Documentation - Seller will prepare and deliver a Buyer approved documentation package consisting of: (i) a component list for the Product and (ii) Buyer approved purchase specifications, including where feasible three (3) sources for procurement of such components. Items (i) and (ii) above will be finalized following the component qualification and documentation program described below. The parties agree to cooperate as follows:

A. Within 10 days following the date of this Agreement Seller will provide Buyer with a list of components in the Product including, where possible, recommended sources for procurement of such components. In preparing this list Seller will utilize the base line component list and manufacturing sources specified in Exhibit C. In instances where a particular component is not sufficiently identified (i.e. does not reference a manufacturer), Seller will recommend specific sources for inclusion on the component list in Exhibit C for Buyer's approval.

B. Promptly following receipt, Buyer shall review and if it deems necessary analyze and test the components recommended, by Seller pursuant to (A) above, it being agreed and understood that Seller's recommendation of such components will in no way affect Buyer's sole responsibility for Product design and for the correct specification, including sources for procurement, of such components.

C. Prior to production hereunder Buyer plans to make or have made approximately 1-200 Product or Products from components procured from the recommended base line sources specified in Exhibit C as supplemented by Seller, pursuant to subparagraph A, above. Buyer shall order components for such Products from Seller in the quantities and at the prices specified in Purchase Order(s) issued by Buyer and acknowledged by Seller. Seller may perform assembly operations on such components to produce Product for the testing described below pursuant to Purchase Orders agreed to between the parties.

D. Buyer shall test or cause to be tested at Buyer's expense the Products described in subparagraph C above, for compliance with Buyer's design, all of its specifications, its

requirements for the performance and reliability of the Product, and its components, and conformity with regulations issued by the Federal Communications Commissions, The Consumer Product Safety Commission, and any other applicable regulations relating to such Products.

E. Based on the results of the activities in paragraphs A-D above, Buyer shall advise Seller in writing of its approval of the documentation package not later than 60 days prior to scheduled production. Seller shall then compile and deliver to Buyer, the Buyer approved documentation package consisting of the component list and purchase specifications (including sources for procurement). The documentation package must be approved by Buyer and made available to the Seller not later than forty-five (45) days prior to Product production. Any changes directed by Buyer as a result of the testing described in subparagraph D, above, to Exhibit C or to the component list described in subparagraph A, will be deemed a design change pursuant to paragraph 13. F. In the event Buyer fails to advise Seller of its approval of the documentation package by the date provided in subparagraph E, above, the contract price and delivery schedule will be equitably adjusted to reflect such delay.

What constitutes scheduled production? If it is the beginning of the slow production build-up, we don't have 60 days between completion of the test systems and start of production, much less time to test the systems. Something needs to be worked out here.

12. COMPONENTS - All components used in the Product will be purchased in accordance with the Buyer approved purchase specifications described in Paragraph 11 above. Seller shall make no substitutions thereto without Buyer's written consent, which consent will not be unreasonably withheld. Seller shall conduct appropriate incoming inspection of components in accordance with its standard practice.

13. DESIGN CHANGES - Buyer reserves the right to change any one or more of the specifications identified in Exhibit "C" for the Products to be produced hereunder. Upon Seller's receipt of Buyer's notice respecting a specification change, Seller shall determine any cost modification, pricing impact or production or delivery changes affecting Seller's performance hereunder; and within a reasonable time of Seller's receipt of such notice, shall provide Buyer with a written statement setting forth any cost modification, pricing impact, production or delivery change and the reasons respecting such changes. Buyer and Seller shall thereupon promptly mutually agree to an equitable adjustment to the price or delivery schedule resulting from any such change, such mutual agreement to be thereafter reduced to writing and executed by authorized representatives of both parties. Where Mattel requires a design change on an emergency basis, CMO shall submit an expedited "not to exceed" proposal for Mattel's written approval.

14. COMPLIANCE WITH LAWS - Seller assumes no liability to or through Buyer and makes no representation that the Products conform to any federal, state or local law, code or regulation. Buyer specifically assumes responsibility for such compliance and represents to Seller that to the best of its knowledge that Products have been designed, tested and qualified as a safe consumer product. Buyer

further agrees to assume responsibility for the Products conformity with regulations now or hereafter issued by the Federal Communications Commission and the Consumer Product Safety Commission and at Buyer's election to have said Products approved, at Buyer's expense, for listing by Underwriters Laboratories, Inc. Buyer agrees to be solely responsible for and to indemnify Seller for its expenses in the event of any product recall.

Seller represents only that the Product to be produced hereunder will be manufactured in compliance with all applicable requirements of the Fair Labor Standards Act, and all valid and applicable regulations and orders issued thereunder.

15. TOOLING - Tooling for certain components required to manufacture Products has been tooled by the Buyer or Buyer's vendors such tooling having been approved by Buyer. Such tooling and components are listed in Exhibit "F". Buyer represents that such tooling is in the necessary quantity and of suitable quality to manufacture the number of Products at the rates set forth in Exhibit "A" hereto. Seller shall initially enter into purchase agreements with Buyer's affiliates and/or suppliers for the components listed in Exhibit "F". The parties further agree that such tooling, and all drawings and specifications as needed to assure the quality of the components made from them, will be made available to Seller for the purpose of establishing additional and/or alternative sources of supply, if desired by Seller. Tooling, equipment, or material which Buyer may furnish to Seller or which Buyer pays for directly shall at all times remain the property of the Buyer.

Buyer will be responsible for the normal maintenance of its tooling under its control and/or possession and Seller will be responsible for the normal maintenance of Buyer's tooling under its control and/or possession. Buyer will retain ownership of all Buyer's tooling used by Seller, and Buyer will be responsible for any design defects of such tooling.

Unless Buyer shall direct otherwise, Seller will not use such tooling except in the performance of work under this Agreement. Such property while in Seller's custody or control, shall be insured by Seller at its expense in an amount equal to the replacement costs, with loss payable to Buyer. Upon any return of such tooling, the costs of transportation will be borned by Buyer.

16. TERMINATION -

A. Either party shall have the right to terminate this Agreement upon thirty (30) days prior written notice if the other party has materially breached or defaulted in the performance of its obligations hereunder and has not cured said breach or default during said notice period. Seller may also terminate this Agreement upon ten (10) days prior written notice for non-payment of Seller's invoices and in the event of such termination Seller shall be entitled to reimbursement for the amounts set forth in sub-paragraph 16B below and its profit on any undelivered units.

B. In addition to the termination provision contained in Section 16A hereof, Buyer shall also have the right to terminate this Agreement at any time upon not less than six (6) working days (a "working day" meaning Monday through Friday excluding CMO observed holidays) written notice. This right of termination may

be exercised in the event of Buyer's own reduced requirements for such Products and not for the purposes of replacing Seller as a vendor of such Products. Such notice shall specify the date termination is to be effective (hereinafter called the "Termination Date"). Upon receipt of such notice of termination, Seller shall ^{to immediate} stop all work and direct its subcontractors and suppliers to stop all work except to the extent reasonably necessary to produce the quantity of Product scheduled to be delivered to Buyer up to the Termination Date. Buyer's liabilities to Seller shall be the cancellation charges as calculated below:

(i) Buyer will, upon delivery FOB Seller's factory, pay for any additional finished inventory of Product remaining in the hands of Seller at the Termination Date at the prices set forth in Exhibit "B", and

(ii) Buyer will pay Seller's actual and invoiced cost of raw materials and/or components not otherwise contained in work in process (as defined in subparagraph B(iii) below), including kitted components and materials, and other raw materials and components on Seller's production floor which are in the same form and content as received from Seller's suppliers, and which were reasonably procured (i.e. amounts not to exceed that required for 90 days' production measured from the Termination Date, or such longer ^{of shorter} period as may be agreed upon by the parties for a particular component if required as the result of long ^{or short} lead time for such components) provided such raw materials and components were acquired specifically to produce Product hereunder. If Buyer wishes, Seller will deliver to Buyer such raw materials and/or components with freight therefore to be paid by Buyer, and

(iii) Buyer will pay for Seller's work in process the sum of:

(a) Seller's cost of raw materials and/or components (as invoiced to Seller by its suppliers) which raw materials and/or components are in Seller's work in process on the Termination Date, and

(b) Seller's direct manufacturing costs applicable to such work in process. "Direct Manufacturing Costs" shall mean:

- (1) Hourly labor of personnel who physically touch the Product in a production mode, and add value to such Product;
- (2) Hourly labor of personnel who support those identified in (1) above, including material handling, quality control, engineering, and maintenance;
- (3) Those personnel involved in the direct supervision of those identified in (1) and (2) above; and
- (4) Costs of the same or similar nature as those set forth in (1) through (3) hereof including, without limitation, costs of subcontractors.

If Buyer wishes, Seller will deliver to Buyer such work in process, with freight therefore to be paid for by Buyer, and

(iv) Buyer will pay Seller's overhead costs incurred on the Mattel program, computed by multiplying the costs described in subparagraphs 16B(ii) and 16B(iii) by a percentage equal to the percent ratio of Seller's total overhead costs (i.e. cost before any profit) to Seller's total direct manufacturing cost. (Thus, for example,

revised

if Seller's total overhead (before profit) was XY% of its total direct manufacturing cost, the amount payable hereunder would be XY% of the sum of the costs calculated pursuant to subparagraphs 16B(ii) and (iii), and

(v) Buyer will also pay for Seller's reasonable costs incurred in termination of purchase orders or other agreements to buy raw materials, components and subassemblies specifically to produce Products which purchase orders are outstanding on the Termination Date, provided however that such purchase orders were reasonably made by Seller (~~i.e. amounts not to exceed that required for 180 days' scheduled production measured from the Termination Date~~).

Buyer may, if it notifies Seller in writing, negotiate or otherwise terminate such purchase orders directly with Seller's suppliers, provided Buyer agrees to hold Seller harmless from any loss or damage arising by virtue of the existence of such purchase orders. Should termination of any such purchase order result in the delivery of any raw materials or components to Seller, if Buyer wishes, Seller will deliver such raw materials and/or components to Buyer, with freight therefore to be paid by Buyer, and

(vi) Termination charges, in settlement of Seller's initial costs and preparatory expenses incurred up to the Termination Date, in the amounts set forth in Exhibit "G".

(vii) In the event of termination under this Section 16B, and within a reasonable time of the Termination Date, Seller will submit to Buyer a detailed statement of Buyer's liabilities as calculated by Seller pursuant to Section 16B (i) through (vi) hereof, as of such Termination Date.

(viii) Should the parties fail to agree on the sum of such liabilities reflected on such statement within thirty (30) days thereafter, then Buyer shall have the right to request Arthur Anderson & Co., Seller's independent certified public accountant, to examine Seller's records to calculate Buyer's liabilities under this Section 16B (i)-(v), and the parties agree to be bound by such determination.

Buyer agrees to pay for the services of such accountant, should Seller's original detailed statement of Buyer's liabilities hereunder be within ten (10) percent of such accountant's determination. Should Seller's original statement of Buyer's liabilities exceed such accountant's determination by more than ten (10) percent the Seller will pay the cost for such accountant's services.

17. EXCUSABLE DELAY - Seller shall not be responsible for delays in delivery or failure to deliver Product due to causes beyond its control, including, without limitation, acts of God, acts of Buyer, government action (civil or military) taking or preempting Seller's production facilities, legal interferences or prohibitions, fires, strikes or other labor difficulties, wars or hostilities, insurrections or riots, embargoes, wrecks or delays in transportation, unusually severe weather, inability to obtain necessary material or components due to causes beyond its control or any like or dissimilar cause beyond its control. In the event of any such delay, the date of delivery shall be extended for a period equal to the time lost by reason of the delay. In the event such delay continues for a period of sixty (60) days, Buyer shall have the right to terminate this agreement. Any such termination shall be deemed a termination for Buyer's convenience pursuant to paragraph 16B.

Agreement modification and obtaining of necessary material & component etc. items that go to which Buyer is responsible or has specified as per above. And change made by Buyer.

Seller shall have the right to request Buyer's approval of substitutes for material which cannot be obtained due to the above causes. Such approval will not be unreasonably withheld. Within five (5) days of the occurrence of an event described above, Seller shall notify Buyer in writing of such delay or its inability to perform.

18. OPTIONAL QUANTITY - Buyer shall have the right to purchase the optional quantity of Product specified in Exhibit "A" upon not less than 120 days notice prior to the scheduled delivery of such optional Products. Seller represents that such option shall be exercised so as not to interrupt manufacturing delivery schedules provided such 120 day notice is given.

19. TAXES - All prices in Exhibit "B" are exclusive of any Federal, State, or local excise, sales or similar taxes. Any such taxes, will be paid by Buyer and when applicable, will appear as separate additional items on Seller's invoices.

20. PAYMENT TERMS - Seller's invoices will be rendered upon delivery (as defined in paragraph 7) and invoices for other charges hereunder will be rendered when due. All invoices are due and payable within thirty (30) days from date. No discounts are authorized.

On shipments delayed by the Buyer, invoices will be issued on the date when Seller is prepared to make delivery. Products held for the Buyer shall be at the risk and expense of the Buyer.

21. PATENTS, SOFTWARE AND TRADEMARKS INDEMNITY - Seller assumes no consequential or other liability for, and the Buyer agrees to indemnify and hold Seller harmless from infringement of patent claims (including reasonable attorney fees) covering the Product manufactured by Seller to the Buyer's specification or arising out of the use of any equipment, materials, parts or machinery furnished by the Buyer. Seller assumes no consequential or other liability for, and the Buyer agrees to hold Seller harmless from, infringement of patent claims covering any equipment, assembly, system, circuit, or combination in which any such Products may be used as a component; any such claims arising out of Buyer consigned material; any and all claims in connection with software developed, or furnished to Seller, by the Buyer; or from any trademark infringements involving any marking or branding not applied by Seller or involving any marking or branding applied at the request of the Buyer. No costs or expenses under this paragraph shall in any event be incurred for the account of Seller without its written consent.

Buyer shall have the right at its sole expense to assume control of litigation arising out of its undertaking in this paragraph.

22. SALE CONVEYS NO LICENSE - Sales hereunder do not convey any license under any patent claim with respect to which Seller can grant licenses.

23. PROPRIETARY INFORMATION - Proprietary Information, as used herein shall mean information received by GTE Sylvania's Circuit Module Operation, Muncy, Pennsylvania from Buyer, in writing or, if orally disclosed in confidence, such oral disclosure is subsequently reduced to writing and transmitted to Seller within ten (10) days of such disclosure and is marked or identified as "Proprietary" or bearing a marking of like import. Information shall not be deemed Proprietary and Seller shall have no obligation with respect to any such information which:

(a) is or becomes publicly known or part of the public domain; or

(b) is known to the Seller or its affiliated companies prior to the disclosure by Buyer; or

(c) is independently developed by Seller or its affiliated companies; or

(d) is rightfully received by Seller or its affiliated companies from a third party; or

(e) is furnished by Buyer to a third party without a similar restriction on the third party's rights; or

(f) is approved for release by written authorization of Buyer. *Had Proprietary information in stock and should have*

Seller shall use Proprietary Information, only for the purpose of fulfilling its obligations under this Agreement and in the event it becomes necessary to disclose such information to a third party, such as a vendor or subcontractor, Seller agrees to obtain the execution of a Confidential Disclosure Agreement by such third party containing the provisions of this Paragraph 23 prior to the disclosure of the information to such third party.

All documents, drawings, sketches, and designs furnished by Buyer hereunder and marked or identified as "Mattel Proprietary" or other words of like import shall remain the property of Buyer and upon the expiration or termination of this Agreement shall be returned to Buyer promptly together with all copies made thereof, except that one copy may be retained in the files of the Seller's Law Department. Seller's obligations under this Paragraph shall in any event, expire one (1) year from the date of termination or expiration hereof, which ever occurs first. For the purpose of this Paragraph 23 only, the term "Seller or its affiliated companies" shall be defined to mean GTE Sylvania Incorporated, GTE Products Corporation or General Telephone & Electronics Corporation or any subsidiary or affiliate thereof.

24. NOTICES - All notices permitted or required hereunder shall be mailed postage prepaid, certified mail, return receipt requested; telexed with immediate written confirmation by certified mail or hand delivery as herein provided or hand delivered against a receipt therefore; and if to Seller;

GTE Sylvania Incorporated
Circuit Module Operation
P.O. Box 360
Muncy, Pennsylvania 17756

Attention: General Manager
with a cc to: J.R. Robertson

if to Buyer:

Mattel Electronics Division
Mattel Incorporated
5150 Rosecrans Avenue
Hawthorne, California 90250

Attention: General Manager
with a cc to: Director of Purchasing

Said addresses may be changed by written notice given as aforesaid.

25. ASSIGNMENT - No assignment of this Agreement by either party shall be made or valid without the prior written consent of the other party. Notwithstanding the foregoing, this Agreement may be assigned by Seller to General Telephone & Electronics Corporation or any wholly-owned subsidiary thereof, any said assignment to be effective upon the express assumption of the rights, duties and obligations hereunder by such assignee.

26. PUBLICITY - Neither party will issue any press release, publish or otherwise publicly disclose the ~~existence~~^{STET} or terms of this Agreement without first obtaining the permission of the other party and the approval of the text of any such release.

27. ADMINISTRATION - The parties will each appoint a single representative through which all day to day administrative, technical and other matters of a contractual nature will be coordinated. Such representative may be changed at any time by notice pursuant to Paragraph 24. Seller hereby designates John R. Robertson as such representative and Buyer hereby designates David *Howard Cohen* ~~Chandler~~ as such representative.

28. ARBITRATION - Disputes concerning warranty responsibilities not otherwise resolved will be arbitrated by one (1) arbitrator in New York City in accordance with the rules of the American Arbitration Association (the "Association").

In the event the parties fail to mutually select the arbitrator, the selection will be made by the Association. The decision of the arbitrator will be final and binding and may be entered in any court having jurisdiction. The arbitrator may, but shall not be required to make an award of reasonable expenses to the prevailing party.

29. ENTIRE AGREEMENT - This Agreement contains the entire agreement between the parties with respect to the subject matter hereof superceding all prior agreements and understandings. There are no promises, terms, conditions or obligations with respect to the subject matter of this Agreement other than those contained herein. Any terms and conditions set forth on Buyer's purchase order form including, without limitation, purchase orders for component sets or the labor to assemble such sets as described in paragraph 11 and/or in the Seller's standard terms of sale are not part of this Agreement and the provisions of any such forms will not be applicable to purchases made hereunder. Paragraph headings as used herein are for convenience and will not be deemed to be part of this Agreement.

No variation, modification or amendment hereof shall be binding upon either party unless signed by an authorized representative for such party. No waiver or any breach by either party or any term, conditions, or obligation shall be deemed a waiver of similar terms, conditions, or obligations in the future, nor shall a waiver by either party of any breach be deemed a waiver of subsequent breaches of the same or similar nature.

GTE SYLVANIA INCORPORATED
CIRCUIT MODULE OPERATION

MATTEL INCORPORATED
MATTEL ELECTRONICS DIVISION

By: _____
A.M. Serang
General Manager

By: _____

EXHIBIT A

DELIVERY SCHEDULE

<u>Date</u>	<u>Quantity of Product To Be Delivered</u>	<u>Cumulative Quantity Delivered</u>
1. Within the first 30 days following the date of this Agreement	-0-	-0-
2. More than 30 but less than 61 days following the date of this Agreement	-0-	-0-
3. More than 60 but less than 91 days following the date of this Agreement	-0-	-0-
4. More than 90 but less than 121 days following the date of this Agreement	250 preproduction units	250
5. More than 120 but less than 151 days following the date of this Agreement	250 preproduction units	500
6. More than 150 but less than 181 days following the date of this Agreement	3500 production ±15%*	4,000
7. More than 180 but less than 211 days following the date of this Agreement	11,000 production units ±15%*	15,000
8. More than 210 but less than 241 days following the date of this Agreement	45,000 production units ±15%*	60,000
9. More than 240 but less than 271 days following the date of this Agreement	70,000 production units ±20%*	130,000
10. More than 270 but less than 301 days following the date of this Agreement	70,000 production units ±20%*	200,000
11. More than 300 but less than 331 days following the date of this Agreement	100,000* production units ±20%*	300,000 **
12. More than 330 but less than 361 days following the date of this Agreement	100,000* production units ±20%*	400,000 **
13. More than 360 but less than 391 days following the date of this Agreement	100,000* production units ±20%*	500,000 **
14. More than 390 but less than 411 days following the date of this Agreement	100,000* production units ±20%*	600,000 **
15. More than 410 but less than 440 days following the date of this Agreement	100,000* production units ±20%*	700,000 **

go weekly

*The number of units to be delivered by Seller at the dates indicated above may fluctuate ±15% of the quantity indicated during the first 240 days and up to ±20% thereafter. In the event of overages, the following month's scheduled quantity will be proportionately reduced. In the event of delivery of less than the nominal quantity specified above, the next month's scheduled quantity will be proportionately increased.

**Optional quantities deliverable provided Buyer exercises the option contained in the Purchase Agreement.

Exhibit B

Prices

<u>Quantity</u>	<u>Price</u>
First 200,000 Units	\$
200,001* - 700,000* Units	\$

A. The above unit prices and the nonrecurring charges described below have been based upon the prices represented by Buyer for the undefined components listed below. In the event Seller's costs differ from the amounts stated below, the price will be equitably adjusted to reflect such difference until such time when these components are fully specified.

	<u>Unit Cost</u>	<u>Extended Cost</u>
(1) 2609-0320 Label - Plain Foil	\$.14	\$.14
(1) 2609-0330 Label - Controls Foil	.14	.14
(1) 2609-2119 Console Cover, (1) 2609-2149 Tray, and (1) 2609-2109 Console Base	1.53 (Set)	1.53 (Set)
(AR) Paint	.02	.02
(1) 2609-2129 Button and (1) 2609-2139 Glamor Cap	.07 (Set)	.07 (Set)
(1) 2609-4269 Spring - Push Button	.012	.012
(1) Washer - Push on	.005	.005
(2) 2609-9469 Connector - Controller	.19	.38
(2) 2609-2059 Housing, Lower and (2) 2609-2069 Housing Upper	.30 (Set)	.30 (Set)
(2) 2609-9589 Circuit Matrix	.685	1.37
(4) 2609-2099 Push Button	.07 (Set)	.07 (Set)
(2) 2609-2089 Disc - Control Acetal	.0425	.085
(2) 2609-0310 Inlay	.03	.06
(2) 2609-2079 Frame ABS	.0425	.085
(2) 0405-4279 Compression Spring	.012	.024
(1/6) 2609-0930 Master Carton	.60	.10
(1) 2609-0910 Individual (Game) Carton and 2609-0970	.54	.54
(2) 2609-0810 End Cap Styrobead	.25	.50
(1) 0001-9210 Poly Sleeve (11½ x 24) Bag	.03	.03
(1) 2609-0920 Instruction Sheet Pr. Paper	.10	.10

GTE Sylvania/Mattel Agreement

Exhibit B

Prices (Continued)

B. In addition to the above units prices, nonrecurring charges** of \$36,070.00 are applicable at 200,000 unit quantity. An incremental amount of \$3,050.00 is applicable if optional quantity * per Exhibit "A" is exercised. These nonrecurring charges include:

<u>Description</u>	<u>200,000 Units</u>	<u>200,001*-700,000* Units</u>
Assembly Fixtures and Insertion Programming	\$ 9,300.00	\$ 3,050.00
G.I. Designed and Manu- *** factured Test Equipment	15,000.00	--
(2) Single Cavity Dies for Logic Board	5,750.00	--
Pierce Unplated Thru Holes and Blank Profile		
(1) Indexing Die for Power Supply Board	1,450.00	--
(1) Two Cavity Pierce & Blank Die for Power Supply Board	4,570.00	--
Total	\$36,070.00	\$ 3,050.00
	Due within 30 days of this agreement.	Due within 30 days of option exercise.

* Optional Quantity

** Seller considers its engineering and design of all tooling or dies an integral part of the manufacturing process; therefore, payment of nonrecurring charges which do not include total costs conveys ownership only to the extent of Buyer's investment without the right of removal from Seller's plant. Seller's interest, together with the right of removal, may be obtained through negotiation and agreement for fair reimbursement for the costs of the tools and dies, design, development and maintenance.

*** This equipment will be purchased by Seller and will become Buyer's property upon payment of the Seller's invoice.

C. Seller's prices do not include Upper and Lower RF Shield costs.

GTE Sylvania/Mattel Agreement
Exhibit C - Mattel Specifications

.) Component List, *Specifications and Sources

PL 2609-9993

REV. _____ SHEET 1 OF 21

RELEASED DATE _____ DATE TITLE _____

PREP

CHK

APPD

APPD

VIDEO GAME - STANDARD PACK (1978)

SYM	SHT	ITEM	REVISION DESCRIPTION	DATE	APPROVED	SYM	SHT	ITEM	REVISION DESCRIPTION	DATE	APPROVE

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41
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RECORD OF REVISION STATUS OF EACH SHEET

* Detailed drawings and specifications on these components remain to be completed by Mattel and will be incorporated into this Exhibit in accordance with paragraph 13, Design Changes.

GTE Sylvania/Mattel Agreement
Exhibit C - Mattel Specification

1.) Component List, * Specifications and Sources, (continued)

ITEM	QTY/DASH	UNIT	IDENTIFYING NO.	PK	NOMENCLATURE OR DESCRIPTION	SUGGESTED SOURCE	C/C
1	1	Ea.	2609-2109		Console Base		
2	1	Ea.	2609-2149		Tray		
3	6	Ea.	0405-0802		Screw, 8-18x1"	Shakeproof Hi-Lo	
4	6	Ea.	0405-0812		Screw, 8-18x $\frac{1}{2}$ "	Shakeproof Hi-Le	
5	1	Ea.	2609-9549		Transformer Assembly	Midwest #603P219	
6	1	Ea.	-		Connector, 5 Pin - For Transformer	Amp #640428-5 Molex KK .156" Series	
7	2	Ea.	0405-0822		Screw, 6-19x $\frac{1}{2}$ "	Shakeproof Hi-Lo	
8	1	Ea.	-		Shield, R. F. Upper		
9	1	Ea.	-		Shield, R. F. Lower		
10	1	Ea.	2609-0230		Insulator, 3" x 4" Fish Paper	Wilmington Fiber, Synthane-Taylor	
11	4	Ea.	2609-9489		Adhesive Foot, .14" thk. x .5" Dia. Polyurethane	3M #SJ-5012	
112	1	Ea.	2609-9119		Console Cover - Labelled		
13	6	Ea.	0405-0832		Screw, 8-18x3/4"	Shakeproof Hi-Le	
14	1	Ea.	2609-2129		Button - Reset		

KEY: R= REFERENCE
M= MAKE IN HOUSE
B= BUY
C= COMBINED

*Detailed drawings and specifications on these components remain to be completed by Mattel and will be incorporated into this Exhibit in accordance with paragraph 13, Design Changes.

PL 2609-9993

GIE Sylvania/Mattel Agreement
Exhibit C - Mattel Specification

AN 2609-9109

TITLE CONSOLE ASSEMBLY

1.) Component List, * Specifications and Sources, (continued)

REV. — SHEET 2 OF 2

EM	QTY/DASH	UNIT	IDENTIFYING NO.	QTY	NOMENCLATURE OR DESCRIPTION	SUGGESTED SOURCE	C/C
15	1	Ea.	2609-4269		Spring - for Reset Button		
16	1	Ea.	0405-0852		Pushnut Fastner	Paint #PD 156007	
17	1	Ea.	2609-2139		Glamour Cap		
18	1	Ea.	-		Washer, Push-on		
19	1	Ea.	2609-9599		Antenna Cable Assembly	Aster; Columbia Electronic Cables	
20	1	Ea.	2609-9609		Antenna Switch Assembly	Astec	
21	1	Ea.	2611-0340		Label - Serial Number		
22	2	Ea.	2609-9059		Hand Controller Assembly		
23	1	Ea.	2609-9539		Power Supply Board Assembly Per G.I. Parts List #39-147 Rev. B		
	1	Ea.	2609-9519		Logic Board Assembly per G.I. Parts List #39-147 Rev. B		

KEY: R= REFERENCE
M= MAKE IN HOUSE
B= BUY
C= COMMISSION

*Detailed drawings and specifications on these components remain to be completed by Mattel and will be incorporated into this Exhibit in accordance with paragraph 13, Design Changes

PL 2609-9993

REV. — SHEET 7 OF 21

GTE Sylvania/Mattel Agreement
Exhibit C - Mattel Specification

1.) Component List, * Specifications and Sources, (continued)

ITEM	QTY/DASH	UNIT	IDENTIFYING NO.	KEY	NOMENCLATURE OR DESCRIPTION	SUGGESTED SOURCE	C/M
1	1	Ea.			IC1 - 7805C Positive Voltage Regulator, 5V \pm 5%, TO-220 Package	Sigmetics, TI, National, Fairchild, Motorola, NEC	
2	1	Ea.			IC2 - 7812C Positive Voltage Regulator, 12V \pm 5%, TO-220 Package	Sigmetics, TI, National, Fairchild, Motorola, NEC	
3	8	Ea.			D1-D8: IN4001, Rectifier, 1 Amp. 50V	GI, ITT	
4	1	Ea.			D9 - IN746A, Zener, 3.3V, 5%, 500 mW	NPC, Motorola, Siemens, Fairchild, NEC	
5	1	Ea.			C1 - Aluminum Cap., 10,000 uF, -10 +100%, 16V, Axial	United Chemi-Con #16TAL10000, Nichicon, Elna, Illinois Cap.	
6	1	Ea.			C2 - Aluminum Cap., 100 uF, -10 +100%, 5V, Axial	United Chemi-Con #25TAL100, Elna, Nichicon, Illinois Cap.	
7	3	Ea.			C4,5,6 - Ceramic Cap., 0.1 uF, 20% 15V, Z5U, Radial	Centralab Type 20DU, Erie Transcap, Dilectron Type RI, Murata, KCK	
8	1	Ea.			R1 - Carbon Film, 220 Ohm, 5%, 1/2W	Airco, R-Ohm, ICC	
9	1	Ea.			C3 - Aluminum Cap., 1000 uF, -10 +100%, 25V, Axial	United Chemi-Con #35TAL1000, Elna, Nichicon, Illinois Cap.	
10	1	Ea.			Power Switch, 3PST Slide	UID #SW432-SD-LO-S-B1-JK	

KEY: R = REFERENCE
M = MAKE IN HOUSE
B = BUY
C = CONSIGNED

*Detailed drawings and specifications on these components remain to be completed by Mattel and will be incorporated into this Exhibit in accordance with paragraph 13, Design Changes.

GTE Sylvania/Mattel Agreement
Exhibit C - Mattel Specification

TITLE Logic Board Assembly

1 (Component List, * Specifications and Sources, (continued)

REV. _____ SHEET 1 OF 6

ITEM	QTY/DASH	UNIT	IDENTIFYING NO.	$\frac{R}{W}$	$\frac{R}{W}$	NOMENCLATURE OR DESCRIPTION	SUGGESTED SOURCE	G/C
1	2	Ea.				R1, 5 - Resistor, Carbon Film, 1K Ohm, 5%, $\frac{1}{4}W$	Airco, R-Ohm, ICC	
2	1	Ea.				R2 - Resistor, Carbon Film, 47 Ohm 5%, $\frac{1}{4}W$		
3	1	Ea.				R4 - Resistor, Carbon Film, 300 Ohm 5%, $\frac{1}{4}W$		
4	2	Ea.				R7,8 - Resistor, Carbon Film, 3.3K Ohm, 5%, $\frac{1}{4}W$		
5	1	Ea.				R9 - Resistor, Carbon Film, 560 Ohm 5%, $\frac{1}{4}W$		
6	1	Ea.				R10 - Resistor, Carbon Film, 10K Ohm, 5%, $\frac{1}{4}W$		
7	1	Ea.				R11 - Resistor, Carbon Film, 100 Ohm, 5%, $\frac{1}{4}W$		
8	3	Ea.				R13, 14, 23 - Resistor, Carbon Film 10 Ohm, 5%, $\frac{1}{4}W$		
9	1	Ea.				R16 - Resistor, Carbon Film, 470 Ohm 5%, $\frac{1}{4}W$	Airco, R-Ohm, ICC	

KEY: R = REFERENCE
M = MAKE IN HOUSE
B = BUY
C = CONSIGNED

*Detailed drawings and specifications on these components remain to be completed by Mattel and will be incorporated into this Exhibit in accordance with paragraph 13, Design Changes.

PL 2609-9993

REV. _____ SHEET 16 OF 21

1 (Component List, * Specifications and Sources, (continued)

ITEM	QTY/DASH	UNIT	IDENTIFYING NO.	Part No	Part No	NOMENCLATURE OR DESCRIPTION	SUGGESTED SOURCE	C/C
10	1	Ea.				R17 - Resistor, Carbon Film, 2.2K Ohm, 5%, 1/4W	Airco, R-Ohm, ICC	
11	1	Ea.				R18 - Resistor, Carbon Film, 200K Ohm, 5%, 1/4W		
12	1	Ea.				R30 - Resistor, Carbon Film, 150 Ohm 5%, 1/4W		
13	3	Ea.				R3. 6, 15 - Resistor, Carbon Film TBD, 5%, 1/4W		
14	3	Ea.				R19, 20, 21 - Resistor, Carbon Film TBD, 5%, 1/4W		
15	3	Ea.				R22, 26, 27 - Resistor, Carbon Film TBD, 5%, 1/4W	Airco, R-Ohm, ICC	
16	3	Ea.				R24,25,28 - Potentiometer, Carbon, 20%, 1/4W @ 55°C, 270° Rotation, P/C Mount, .65" Dia., Open Construction	Piher PT 15YD, Stackpole, CTS	
17	1	Ea.				R29 - Potentiometer, Carbon, TBD, 20%, 1/4W @ 55°C, 270° Rotation, P/C Mount, .65" Dia., Open Construction	Piher PT 15YD, Stackpole, CTS	

KEY: R= REFERENCE
M= MAKE IN HOUSE
B= BUY
C= COMMENTS

*Detailed drawings and specifications on these components remain to be completed by Mattel and will be incorporated into this Exhibit in accordance with paragraph 13. Design Changes.

GTE Sylvania/Mattel Agreement
Exhibit C - Mattel Specification

TITLE Logic Board Assembly

1 (Component List, * Specifications and Sources, (continued)

REV. _____ SHEET 3 OF 6

ITEM	QTY/DASH	UNIT	IDENTIFYING NO.	NOMENCLATURE OR DESCRIPTION	SUGGESTED SOURCE	QTY
18	1	Ea.		C1 - Ceramic Cap., 20pF, 5%, 15V, NPO, Radial	Centralab Type 2DDI, Erie Type 801, Dilectron, Murata, KCK	
19	20	Ea.		C4-22, 24 - Ceramic Cap., 0.1uF, 20% 15V, Z5U, Radial	Centralab Type 2DDU, Erie Transcap, Dilectron Type RT, Murata, KCK	
20	1	Ea.		C25 - Ceramic Cap., 100pF, 5%, 15V NPO, Radial	Centralab-Type 2DDT, Erie Type 841, Dilectron, Murata KCK	
21	2	Ea.		C3, 26 - Aluminum Cap., 1uF, -10 +100%, 15V, Axial	United Cheml-Con 16TAL1, Illinois Capacitor, Elna, Nichicon	
22	3	Ea.		C27,28,30 - Solid Tantalum Cap., 10uF, 20%, 35V, Radial	Sprague 199D, Kemet T392D, Elna, ITT, NEC	
23	1	Ea.		C31 - Ceramic Cap., .01uF, 20%, 15V, Z5U, Radial	Centralab Type 2DDU, Erie Transcap, Dilectron Type RT, Murata, KCK	
24	1	Ea.		D1 - Rectifier, IN4001, 1 Amp, 50V	GI, ITT	
25	2	Ea.		Q1,2 - 2N3906, PNP Small Transistor	Fairchild, National, ITT, NPC, NEC	

KEY: R= REFERENCE
M= MAKE IN HOUSE
B= BUY
C= CONSIGNED

*Detailed drawings and specifications on these components remain to be completed by Mattel and will be incorporated into this Exhibit in accordance with paragraph 13, Design Changes.

PL 2609-9993

REV. _____ SHEET 18 OF 21

GTE Sylvania/Mattel Agreement
Exhibit C - Mattel Specification

AN 2609-9519

TITLE Logic Board Assembly

1.) Component List, * Specifications and Sources, (continued)

REV. _____ SHEET 4 OF 6

EM	QTY/DASH	UNIT	IDENTIFYING NO.	PKY	NOMENCLATURE OR DESCRIPTION	SUGGESTED SOURCE	C/C
26	1	Ea.			Q3 - 2N3904, NPN Small Signal Trans.	Fairchild, National, ITT, NPC, NEC	
27	1	Ea.		C	IC1 - CP1610, uP	GI	
28	1	Ea.		C	IC2 - RA-3-9600, RAM	GI	
29	1	Ea.		C	IC3 - RO-3-9504, 2KX10 ROM	GI	
30	1	Ea.		C	IC4 - AY-3-9600, STIC	GI	
31	1	Ea.		C	IC5 - RO-3-9503, 16K ROM	GI	
32	1	Ea.		C	IC6 - AY-3-8910, PSG	GI	
33	1	Ea.		C	IC9 - RO-3-9502, 2KX10 ROM	GI	
34	1	Ea.		C	IC10 - AY-3-8915, Color	GI	
35	3	Ea.			IC7, 8, 12 - 256x8 RAM	EMM-Semi 3539 UCP	
36	1	Ea.			IC11 - 7406, Hex Inverter	Fairchild, National, TI, Signetics, NEC	
37	1	Ea.			IC13 - 74LS08, Quad and Gate	Fairchild, National, TI, Signetics, Motorola	

KEY: R: REFERENCE
M: MAKE IN HOUSE
B: BUY
C: CONSIDER

*Detailed drawings and specifications on these components remain to be completed by Mattel and will be incorporated into this Exhibit in accordance with paragraph 13, Design Changes.

PL 2609-9993
REV. _____ SHEET 19 OF 21

GTE Sylvania/Mattel Agreement
Exhibit C - Mattel Specification

Logic Board Assembly

1 (Component List, * Specifications and Sources, (continued)

REV. _____ SHEET 5 OF 6

ITEM	QTY/DASH	UNIT	IDENTIFYING NO.	λ α	λ α	NOMENCLATURE OR DESCRIPTION	SUGGESTED SOURCE	C/C
38	2	Ea.				IC14,15 - 74LS126, Quad Buffer	Fairchild, National, TI, Signetics, Motorola	
39	1	Ea.				XTL - Crystal, 3.579545 MHZ, ±.01%	Erie, Electro-Dynamics Reeves-Hoffman, Q-Matic	
40	1	Ea.				C2 - Trimmer Cap., 5.1-50pF, .35" Dia., P/C Mount	Matsushita #ECY-1ZW50X321H Sprague-Goodman #6KD50000	
41	1	Ea.				RFX - Modulator	Astec #UM1285	
42	1	Ea.				S1 - SPST Switch	CTS Dwg. C1690A	
43	1	Ea.				S2 - SPDT Slide Switch, P/C Mount	UID #SL-012-SD-T0-P-B1-EK-CE	
44	1	Ea.				Connector, P/C Card Edge, 44 Pin	Methode	
45	6	Ea.				Ferrite Bead, .20" ID, .38" OD, 19"L	Fair-Rite #263000801	
46	6	Ea.				IC Socket, 40 Pin DIP	T.I. #C8540-01, Augat, Cambion	
47	1	Ea.				IC Socket, 18 Pin DIP	T.I. #C8518-01, Augat, Cambion	
48	1	Ea.				IC Socket, 28 Pin DIP	T.I. #C8528-01, Augat, Cambion	
49	1	Ea.				Connector, 6 Pin - To P/S Board	Amp #640428-6 Molex KK.156" Series	

KEY: R: REFERENCE
M: MAKE IN HOUSE
B: BUY
C: CONSIGN

*Detailed drawings and specifications on these components remain to be completed by Mattel and will be incorporated into this Exhibit in accordance with paragraph 13, Design Changes.

PL 2609-9993

REV. _____ SHEET 20 OF 21

Exhibit C

Mattel Specifications (Continued)

- | 2.) Schematics: | <u>Title</u> | <u>Drawing No.</u> | <u>Date</u> | <u>Rev.</u> |
|-----------------|---------------------------|--------------------|-------------|-------------|
| | Mattel Logic Board | 39-133 | 9/26/78 | L |
| | Mattel Power Supply Board | 39-125 | 9/26/78 | E |
- 3.) Product Performance and Reliability Specification presently being developed by Buyer for subsequent inclusion in this Exhibit "C" in accordance with paragraph 13 "Design Change".
- 4.) Product "burn-in" requirements being developed between Buyer and Seller and incorporated in these specifications in accordance with paragraph 13 "Design Change" to assure that, due to the "infant (premature/early) mortality" expected with the electronic components used in the Product, Product failure rate does not exceed half (0.5) percent during ninety (90) days of Product usage.
- 5.) Supplementary Product Characteristics:
- a.) Printed circuit board material is .062" NEMA Grade CEM-1. The Logic board has one (1) ounce of copper on two sides. The Power Supply board has one (1) ounce copper on one side.
 - b.) The basis for in-process and final Quality Assurance acceptance is the Video Games Workmanship Criteria shown in this Exhibit C.
 - c.) Buyer will furnish the film for all instructions, packaging, and labeling.
 - d.) UL labeling is an integral part of the Console Base, P/N 2609-2109.
 - e.) Product serialization will be by way of a label affixed to the Console Base, P/N 2609-2109.
 - f.) The Master Carton, P/N 2609-0930, does not require palletization for shipment.
 - g.) The five (5) leads exiting the transformer, P/N 2609-9549, are terminated by a press-on type connector.
 - h.) The Controller Cables, P/N 2609-9569, are terminated on both ends, by a press-on type connector.
 - i.) Eight (8) integrated circuits are mounted on the circuit board via sockets.
 - j.) Circuit boards are in conformance with Seller's requirements for automatic insertion of components. *initial production only*
 - k.) All components are specified to operate over the temperature range of 0°C to 40°C.

Exhibit C

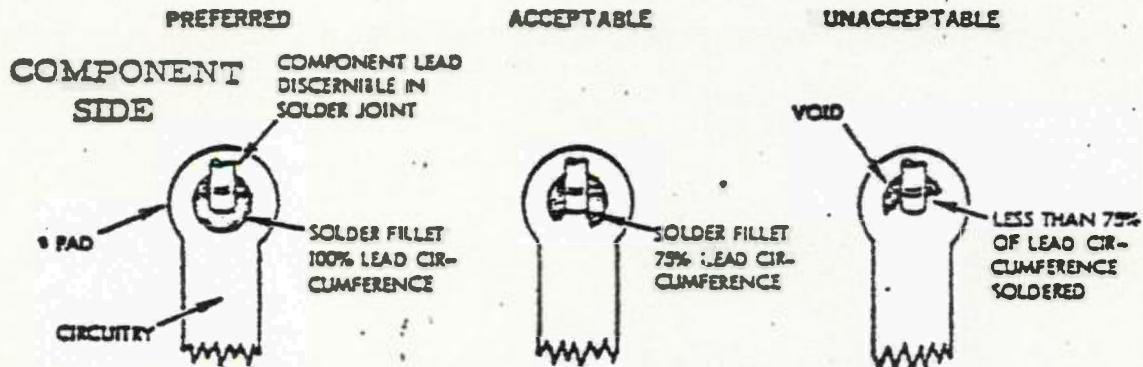
Mattel Specifications (Continued)

Video Games Workmanship Criteria

1.0 Solder Requirements:

1.1 Single Sided Printed Circuit Boards.

1.1.1 A minimum of 75% of the lead circumference must exhibit a good solder flow and have a properly formed fillet, and otherwise be free of pin or blow holes.



1.2 Double Sided Printed Circuit Boards.

1.2.1 A minimum of 50% of the lead circumference must exhibit a good solder flow on both sides of the printed circuit board, and otherwise be free of pin or blow holes.

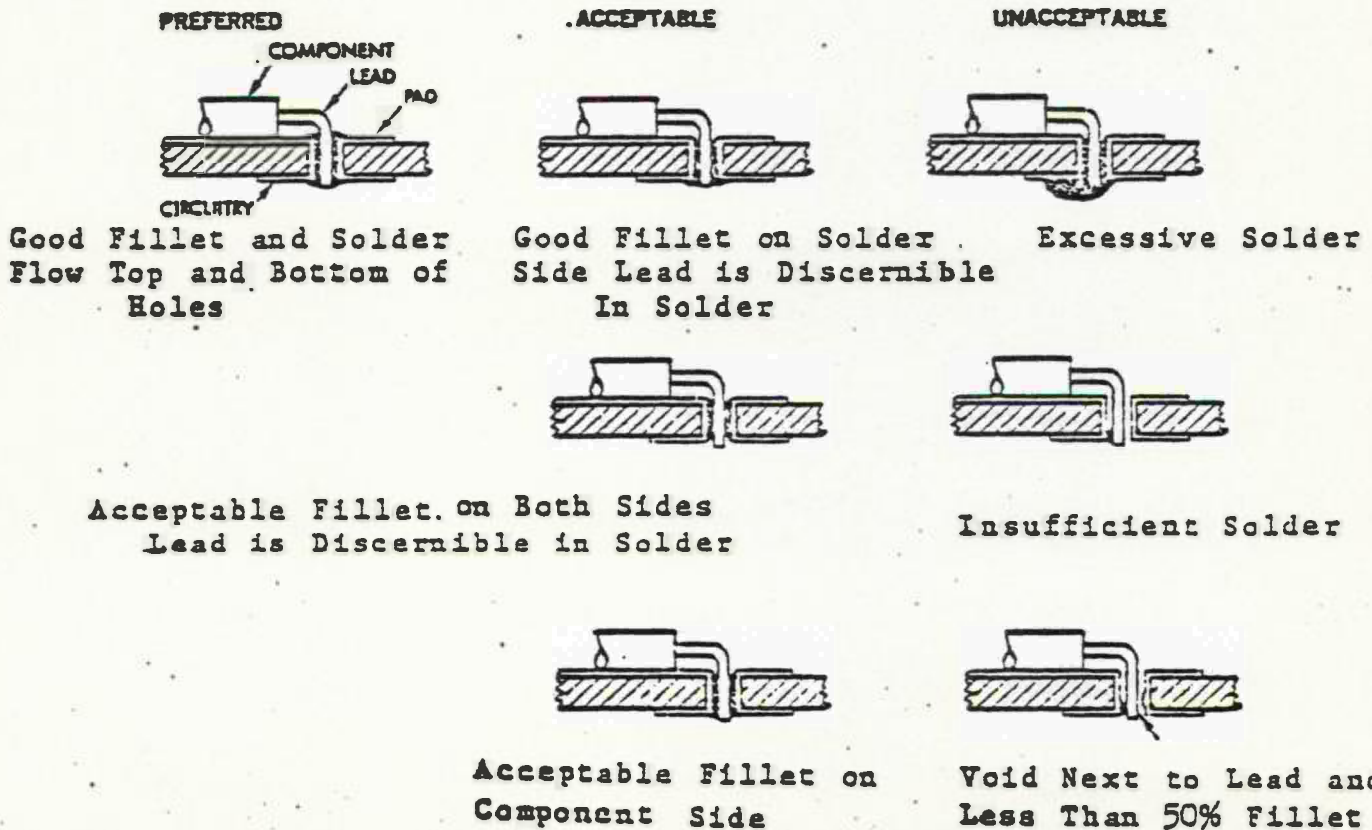


Exhibit C

Mattel Specifications (Continued)
Video Games Workmanship Criteria

1.3 Lead Protrusion

1.3.1 Component lead protrusion on the solder side of the P.C. Board shall be of such maximum length to provide a minimum electrical clearance of 0.006" between adjacent circuitry and mechanical components during normal manufacturing handling; but in any event shall not exceed 0.125" beyond the P.C. Board.

1.4 Cold Solder Joints

1.4.1 Solder joints with a dull granular appearance caused by movement during the solder cooling or insufficient heating of the solder joints are not allowed.

2.0 Component Mounting:

2.1 Components preferably shall be mounted parallel to and in contact with the printed circuit board.

2.2 Component Leads.

2.2.1 Preferred - No visible lead damage. Lead bend is made at least 1/32 inch from component body or lead weld.

2.2.2 Acceptable - Lead bend minimum distance from lead weld or component body less than 1/32 inch and component seal is undamaged.

2.2.3 Reject - Lead has been formed too close to the lead weld or component body, less than 1/32 inch resulting in damage to component seal.

2.3 Component Alignment.

2.3.1 Preferred -

Longitudinal axis of component parallels surface of board.

Component is flush with surface of board.

Uniform spacing between components.

Components are aligned.



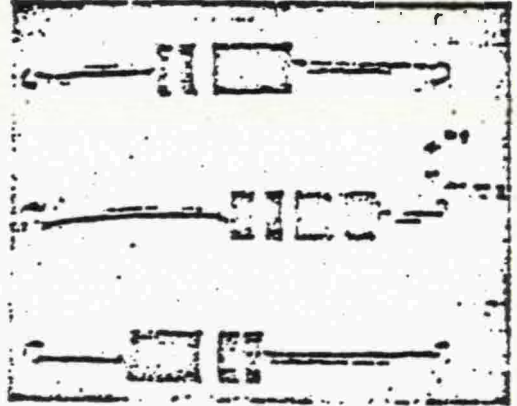
Mattel Specifications (Continued)

Video Games Workmanship Criteria

2.3.2 Acceptable -

Component body misalignment does not affect bend radius of lead.

*Note: Appearance item only. Does not justify risk of damage from rework.

2.3.3 Reject -

Misalignment does not allow minimum distance from bend to body of component.

Distance of component body from board is in excess of 1/16 inch.



2.4 Wire Preparation.

2.4.1 Nicked, severed, and scraped wire strands shall not exceed 10% of nearest rounded integer of total strands, e.g. 10% of 7 strands = (.7) = 1 strand.

Exhibit C

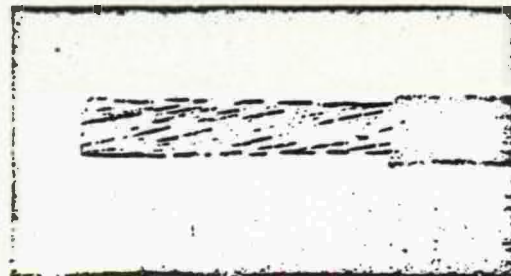
Mattel Specifications (Continued)

Video Games Workmanship Criteria

2.4.2 Preferred

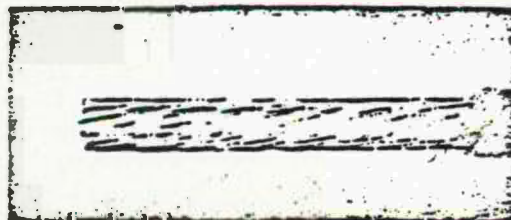
Insulation has been removed from the conductor with no visible damage to the wire strands.

Normal lay of wire, if disturbed, shall be retwisted to the original wire lay.



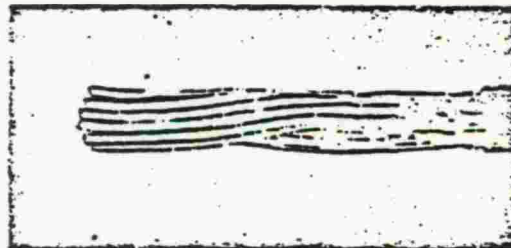
2.4.3 Acceptable Minimum

Wire strands show evidence of a nicked condition caused by stripped blades.



2.4.4 Reject

Wire strands are nicked and severed revealing base metal.



Mattel Specifications (Continued)

Video Games Workmanship Criteria

2.5 Cleaning Of Printed Circuit Assemblies.

2.5.1 After cleaning, printed circuit assemblies will be visually inspected by the unaided eye, to assure that they are free from corrosive/conductive contaminants.

2.6 Workmanship inspection shall be performed with the unaided eye.

2.7 Mechanical

2.7.1 Hardware (screws) shall be tight. The word "tight" is defined as "the screw can not be appreciably tightened further without damage or injury to the screw heads or plastic case".

2.8 Wire Termination

2.8.1 Routing - Leads shall be routed by the shortest practical route to avoid excessive lengths of wire and wire crossovers. The ends of all wires shall have sufficient slack to avoid breaking wires or solder connections due to strain or vibrations. No wire shall be taut.

2.9 Switches and Push Buttons shall have adequate clearance on all sides to permit free travel without mechanical interference or a functional failure.

GTE Sylvania/Mattel Agreement

Exhibit D

Test Procedures and Specifications

Test Procedures and Specifications will be prepared by Buyer within 30 days of the date of this Agreement for mutual agreement between Buyer and Seller within 60 days of this Agreement. These shall fulfill at least the following requirements:

1. "Chips" Test System

- a. Buyer will provide Seller with a stand-alone "Chips" Test System at a cost to Seller of \$15,000 each. The Test System will test the "Chips" to the specification requirements of Exhibit C.
- b. The Test System will be correlated, at the time of delivery and periodically thereafter, with other "Chips" Test Systems belonging to the Buyer or its vendors.
- c. The Test System will test "Chips" in 180 seconds including handling time for the complement of eight (8) integrated circuits tested at one time.
- d. ^{Individual chips} ~~"Chips"~~ that do not comply with the specifications of Exhibit C, or fail to pass the Test System, will be returned to Buyer or Buyer's vendor. ~~"Chips"~~ lots failing to meet a 0.65% AQL, ^{as 1% process average} ~~as~~ defined in ~~MIL-STD-105/level 2~~, will be returned to Buyer or his vendor. ^{Individual chip}
- e. "Chips" testing will be conducted at any ambient temperature within 25°C + 10°C/-5°C.

2. Product Testing

- a. Buyer will provide Seller with at least 25 special test cassettes at no cost to Seller for acceptance testing of the final product.
- b. Product test time will be 100 seconds including handling time.
- c. Seller will test all products prior to delivery to Buyer.
- d. Product will be tested at any line voltage within 120 volts \pm 10 volts RMS and at any temperature within 25°C + 10°C/-5°C.
- e. Five (5) manual adjustments will be performed during product test: one (1) frequency adjustment and four (4) color adjustments.
- f. Successful passing of these product tests will constitute Buyer's acceptance of the product and will satisfy the requirements of the specifications of Exhibit C.

GTE Sylvania/Mattel Agreement

Exhibit E

Consigned Material

<u>Part Number</u>	<u>Description</u>	<u>Quantity Per Assembly</u>
CP1610 μ P IC1	Game Chip	1 + 3% for normal manufacturing attrition
RA-3-9600 RAM IC2	Game Chip	1 + 3% " " "
RO-3-9504 2K x 10 ROM IC3	Game Chip	1 + 3% " " "
AY-3-8900 STIC IC4	Game Chip	1 + 3% " " "
RO-3-9503 ROM IC5	Game Chip	1 + 3% " " "
RO-3-9502 2K x 10 ROM IC9	Game Chip	1 + 3% " " "
AY-3-8915 Color IC10	Game Chip	1 + 3% " " "
AY-3-8910 PSG IC6	Game Chip	1 + 3% " " "
2610-9991	Football Cassette	1

Specifications for the above material are not available to Seller at the time of this Agreement. These specifications and related components will accord with the specifications of Exhibits C and D.

GTE Sylvania/Mattel Agreement

Exhibit F

Tooling and Components Therefrom

<u>Mattel Tool Number</u>	<u>Mattel Component Number</u>	<u>Component Description</u>
2609-T-501-1	2609-2119	Console Cover
2609-T-502-1	2609-2109	Console Base
2609-T-503-1	2609-2059 2609-2069	Lower Housing Upper Housing
2609-T-504-1	2609-2079 2609-2149	Frame Tray
2609-T-505-1	2609-2089 2609-2129 2609-2139	Control Disc Reset Button Glamour Cap
2609-T-506-1	2609-2099	Push Button

Start-up production requirements (up to 2500 pcs.) of the above components can be purchased from Mattel's tooling vendor.

SCHEDULE OF CANCELLATION CHARGES
(Per Paragraph 16B (vi))

the Termination Date falls during the period described in Column A, the corresponding Cancellation Charges in Column B will be applicable:

<u>Column A</u> <u>Date or Event</u>	<u>Column B</u> <u>Cancellation Charges**</u>
Within the first 30 days following the date of this Agreement	\$ 20,000
More than 30 but less than 61 days following the date of this Agreement	\$ 65,000
More than 60 but less than 91 days following the date of this Agreement	\$115,000
More than 90 but less than 121 days following the date of this Agreement or when between 1-250 units are delivered, whichever occurs first	A \$175,000 lump sum cancellation payment plus \$225.15 X No. of Units delivered to the "Termination Date".
More than 120 but less than 151 days following the date of this Agreement or when between 251-500 units are delivered, whichever occurs first	A \$350,000 lump sum cancellation payment plus \$225.15 X No. of Units delivered to the "Termination Date".
More than 150 but less than 181 days following the date of this Agreement or when between 501-4000 units are delivered, whichever occurs first	A \$462,575 lump sum cancellation payment plus \$23.21 per unit for the quantity of units delivered in excess of 500.
More than 180 but less than 211 days following the date of this Agreement or when between 4,001-15,000 units are delivered, whichever occurs first	A \$462,575 lump sum cancellation payment plus \$23.21 per unit for the quantity of units delivered in excess of 500.
More than 210 but less than 241 days following the date of this Agreement or when between 15,001-50,000 units are delivered, whichever occurs first	A \$799,000 lump sum cancellation payment plus \$0.40 per unit for the quantity of units delivered in excess of 15,000 up to 50,000 units
More than 240 but less than 271 days following the date of this Agreement or when between 50,001-150,000 units are delivered, whichever occurs first	A \$813,000 cancellation payment which will be amortized over the next 100,000 units, e.g. for each unit delivered in excess of 50,000, the \$81,000 cancellation payment is reduced by \$8.13. Thus, if 75,000 units are delivered, the cancellation charge would be \$813,000 - \$203,250 = \$609,750 plus the paragraph 16B(i)-(v) charges; if 100,000 units are delivered, the calculation would be \$813,000 - \$406,500 = \$406,500, plus the 16B(i)-(v) charges.
More than 270 but less than 301 days following the date of this Agreement or when between 150,001-200,000 units are delivered, whichever occurs first	No cancellation payment but full reimbursement pursuant to the provisions of Paragraph 16B(i)-(v).
More than 300 but less than 331 days following the date of this Agreement or when between 200,001*-300,000* units are delivered, whichever occurs first	No cancellation payment but full reimbursement pursuant to the provisions of Paragraph 16B(i)-(v).
More than 330 but less than 361 days following the date of this Agreement or when between 300,001*-400,000* units are delivered, whichever occurs first	No cancellation payment but full reimbursement pursuant to the provisions of Paragraph 16B(i)-(v).
More than 360 but less than 391 days following the date of this Agreement or when between 400,001*-500,000* units are delivered, whichever occurs first	No cancellation payment but full reimbursement pursuant to the provisions of Paragraph 16B(i)-(v).
More than 390 but less than 411 days following the date of this Agreement or when between 500,001*-600,000* units are delivered, whichever occurs first.	No cancellation payment but full reimbursement pursuant to the provisions of Paragraph 16B(i)-(v).
More than 410 but less than 440 days following the date of this Agreement or when between 600,000*-700,000* units are delivered, whichever occurs first	No cancellation payment but full reimbursement pursuant to the provisions of Paragraph 16B(i)-(v).

Optional quantities deliverable provided Buyer exercises the option contained in the Purchase Agreement.

*All cancellation charges in this Exhibit are in addition to the per unit price in Exhibit B of Product delivered and the charges set forth in Paragraph 16B(i)-(v) of the Purchase Agreement.

SEND ALL COPIES TO MRO PURCHASING.

DIVERSIFIED BUSINESS FORMS 12131-707 REV. 8/84

PLEASE TYPE

PURCHASE REQUEST

MTL 2211-C

ENTRIES WITH RED CAPTIONS
FOR PURCHASING USE ONLY.

PURCHASE ORDER NO.
34501

SHIP TO:

PLANT 1
 PLANT 4
 ADMIN. WHSE. PLANT 1
 DIST. CENTER PLANT 2 & 3
 COMPTON PLANT 6
 OTHER

PURCHASING

5150 ROSECRANS AVE.
HAWTHORNE, CALIF. 90250
13060 TEMPLE AVE.
CITY OF INDUSTRY, CALIF. 91746

5150 ROSECRANS AVE.
HAWTHORNE, CALIF. 90250
15930 E. VALLEY
CITY OF INDUSTRY, CALIF. 91744
1620 S. WILMINGTON AVE.
COMPTON, CALIF. 90220

BILL TO
MATEL TOYS
P. O. BOX 821 AP
HAWTHORNE,
CALIF. 90250

BILL TO
MATEL TOYS
P. O. BOX 821 AP
HAWTHORNE,
CALIF. 90250

34501

THIS NO. MUST APPEAR ON ALL INVOICES,
PACKING SLIPS, REFERENCES AND
CORRESPONDENCE ON THIS ORDER

TERMS

F.O.B. DELIVERED UNLESS SPECIFIED

SHIP VIA YOUR DEL. UNLESS SPECIFIED

NOT TAXABLE CHARGE VENDOR NO. _____
 RESALE NO. TAX AB 1089%

PURCHASE ORDER CATEGORY
 PURCHASE
 RENTAL
 BLANKET
 MAINTENANCE
 LEASE
 CON. TRACT
 REPAIR
 NOT VALID WITHOUT BUYER'S SIGNATURE
 BUYER'S SIGNATURE: **X**

MATEL TOYS

DESCRIPTION - ONE ITEM PER ITEM NO.

MAIL STOP PLANT

EXT. _____

CONFIRMED PRICE

PRICE PER REQUESTER

UNIT OF MEAS.

QUANTITY

DATE

DATE

REC. BY INIT.

DATE

1 2609-9519 Logic Board Assy layout drawing and parts list

2 Printed circuit board trace pattern and hole size drawing for the above assy.

3 50 samples air ship - will advise

\$6,730.00

DEPARTMENT	BUDGET CTR.	CHARGE TO ACCT. NO.	REQUESTER	EXT.	MAIL STOP	PLT	DATE REQUIRED	APPROX. AMT. THIS P.O.
	6061	6061-466-2609	Dave Chandler	2457				\$
RECEIVING CATEGORY	IS MATERIAL TO BE RESOLD?	SEND INVOICE TO REQUESTER FOR APPROVAL	APPROVED BY	DATE	APPROVED BY	DATE	FINANCIAL CONTROL APPROVAL	DATE
	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO	<i>D.P. Chandler</i>	11/17/78	<i>D.P. Chandler</i>			
RECEIVING INSTRUCTIONS:	RECEIVING DEPARTMENT TO DELIVER TO REQUESTER	OTHER	SIGN ONLY IF COMPLETE ORIGINAL SHIPMENT. COMPLETE RECEIVING AREA AND FORWARD COPY TO ACCTS. PAYABLE (ATTACH ALL DOCUMENTS REC'D.)					
	<input type="checkbox"/> SEND RECEIVING-MASTER TO REQUESTER	<input type="checkbox"/> OTHER	RECEIVED COMPLETE BY					
	<input type="checkbox"/> RECEIVING DEPARTMENT TO DELIVER TO REQUESTER		DATE					
	<input type="checkbox"/> OTHER		DATE					



TERMS: NET THIRTY (30) DAYS

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Mattel Electronics
A Division of Mattel Inc.
5150 Rosecrans Ave.
Hawthorne, Calif.

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To be retained at CMO
unless/until otherwise
advised

PURCHASE ORDER NO. 31626		PRIME CONTRACT NO. -		REQUESTED SHIP VIA -		PREPAID <input type="checkbox"/>	FOB <input type="checkbox"/>
COLLECT <input type="checkbox"/>						-	

PRIORITY -	ESTIMATE NO. 11808	PROGRAM -	PROJECT NO. -	ACCOUNT NUMBER 288	SOURCE INSPECTION GSI <input type="checkbox"/> CSI <input type="checkbox"/>
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ITEM NO.	QUANTITY ORDERED	DESCRIPTION	REVISION LEVEL	PART NUMBER	QUANTITY SHIPPED	UNIT PRICE	AMOUNT
1	40	This CON is issued to cover the costs for assembly of forty (40) prototype units, Part # 2609-9993 Intel-Vision Video System. Material Costs for this requirement are covered separately by CON #8-4086 Note: Units are to be assembled to the maximum point allowable for the performance of required electrical testing of subassemblies. All assembled subassemblies plus other components required to make a complete system are then to be transported to General Instruments, Hicksville, New York for testing of the subassemblies, final assembly and final system test.			10		

RECAP OF SHIPMENTS TO DATE								TOTAL AMOUNTS		
DATE	SHIP NO.	TOT. QTY.	ITEM	ITEM	ITEM	ITEM	SHIPPED VIA	B/LNO.	TOTAL CTNS.	TOTAL WEIGHT
12/22/78	605812	10	10				Emery	39866	2	34

P.Q.A. OF LISTED ITEMS HAS BEEN MADE BY ME OR UNDER MY SUPERVISION AND THEY CONFORM TO CONTRACT EXCEPT AS NOTED HEREIN OR ON SUPPORTING DOCUMENT

GOVERNMENT STAMP APPLIED				SIGNATURE OF GOVERNMENT REP.			
CR OR	ACCOUNT NO.	AMOUNT	BATCH NO.	CUSTOMER SALE NO.			

CONSIGNEE: NOTE CAREFULLY CONDITION OF PACKAGES BEFORE RECEIPTING IN GOOD ORDER
 → CLAIMS FOR DAMAGES OR DEFICIENCIES MUST BE MADE WITHIN 30 DAYS AFTER RECEIPT OF GOODS. NO GOODS TO BE RETURNED WITHOUT INSTRUCTIONS FROM US. WE HEREBY CERTIFY THAT THESE GOODS WERE PRODUCED IN COMPLIANCE WITH ALL APPLICABLE REQUIREMENTS OF SECTIONS 6, 7 AND 12 OF THE FEDERAL ACQUISITION REGULATION (FAR) AND THE UNITED STATES DEPARTMENT OF LABOR ISSUED UNDER