

3-22-85

dm
ROBERT T. MAYER

Lou,

I sent you copies of these documents by other cover. These are in case you haven't received them yet. Please expedite. We are trying to get this done before the 29th.

Bob

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT (hereinafter referred to as, "this Agreement") is hereby made and entered into by and between THE MAGNAVOX COMPANY, a corporation of the State of Delaware, having an office at 580 White Plains Road, Tarrytown, New York (hereinafter referred to as, "Magnavox"), SANDERS ASSOCIATES, INC., a corporation of the State of Delaware, having an office at Daniel Webster Highway South, Nashua, New Hampshire (hereinafter referred to as, "Sanders"), and BALLY MIDWAY MFG. CO., formerly known as Midway Mfg. Co., a corporation of the State of Illinois, with offices at 10601 West Belmont Avenue, Franklin Park, Illinois (hereinafter referred to as, "Bally Midway").

W I T N E S S E T H:

WHEREAS, Sanders is the owner of United States Letters Patent 3,659,284, entitled Television Gaming Apparatus, which issued on April 25, 1972, and which was reissued as United States Letters Patent Re. 28,507 on August 5, 1975 (hereinafter referred to as, the "Patent"); and

WHEREAS, Magnavox is the exclusive licensee of the Patent; and,

WHEREAS, on April 15, 1974, Magnavox and Sanders instituted a certain lawsuit against Bally Midway and others, in the United States District Court for the Northern District

of Illinois, captioned: "The Magnavox Company, et al. v. Bally Manufacturing Corporation, et al.", docket number 74 C 1030 (hereinafter referred to as, the "1974 Litigation"), by filing a complaint alleging, inter alia, that Bally Midway had infringed the Patent by manufacturing, selling, and distributing certain coin-operated video games; and,

WHEREAS, on May 1, 1976, Magnavox, Sanders, and Bally Midway entered into a settlement agreement with respect to the 1974 Litigation, under the terms of which, inter alia, Magnavox and Bally Midway entered into a non-exclusive sublicense (hereinafter, the "Sublicense") by which Magnavox granted to Bally Midway the right to make, use, and sell coin-operated video games under the Patent; and,

WHEREAS, under the terms of the Sublicense, Bally Midway was required to pay certain royalties to Magnavox for products which Bally Midway made, sold, distributed, or leased under the Sublicense; and,

WHEREAS, on April 5, 1983, Magnavox instituted a certain action against Bally Midway in the United States District Court for the Northern District of Illinois, captioned: "The Magnavox Company v. Bally Midway Mfg. Co.", docket number 83 C 2357 (hereinafter referred to as, the "Lawsuit"), by filing a Complaint, alleging, inter alia, that certain coin-operated video games made, sold, leased or distributed by Bally Midway were covered by the Patent and that Bally Midway had therefore breached the Sublicense by

failing to pay royalties for said games, which were identified by Magnavox in the Lawsuit as, "PAC-MAN," "Ms. PAC-MAN," "BABY PAC-MAN," "SUPER PAC-MAN," "PAC-MAN PLUS," and "Jr. PAC-MAN" (hereinafter referred to as, the "PAC-MAN GAMES"); and,

WHEREAS, Bally Midway filed an Answer in the Lawsuit denying liability, and filed a Counterclaim against Magnavox and a Third-Party Complaint against Sanders seeking a declaratory judgment that it had not breached the Sub-license or infringed the Patent; and,

WHEREAS, the Lawsuit is still pending, awaiting trial; and,

WHEREAS, Magnavox, Sanders and Bally Midway have agreed to settle and compromise the claims they have asserted in the Lawsuit, on the terms and conditions hereinafter set forth; and,

WHEREAS, the parties hereto do not intend to alter, in any way, the scope, meaning, or intent of the Judgment on Consent entered in the case entitled: "The Magnavox Company and Sanders Associates, Inc. v. Bally Manufacturing Corporation and Midway Mfg. Co." in the United States District Court for the Northern District of Illinois, docket number 78 C 4951, and hence intend to limit the scope of this Agreement to coin-operated, as opposed to home, video games; and,

WHEREAS, Magnavox, Sanders and Bally Midway are desirous of resolving all controversies among them with

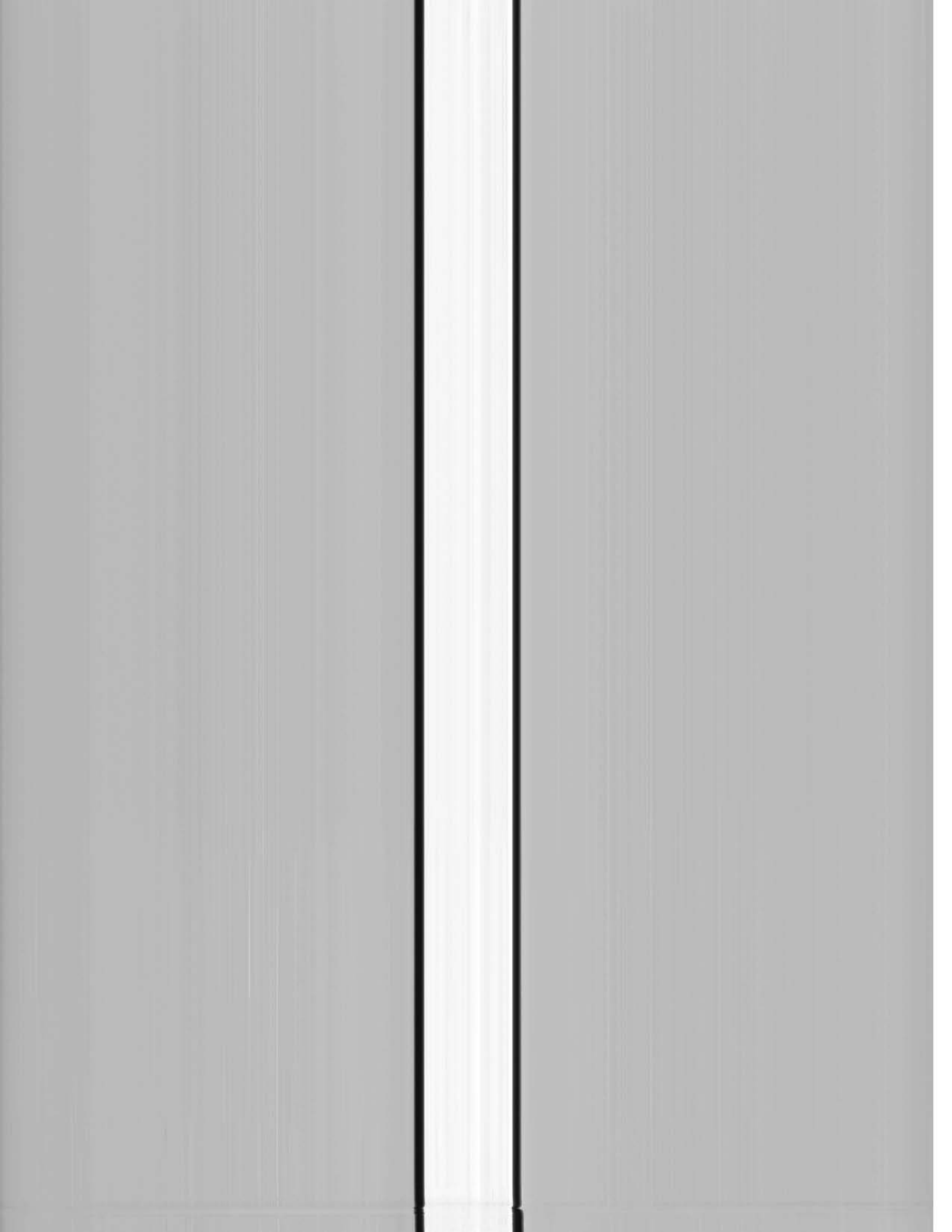
respect to the Sublicense and/or certain coin-operated video games, including but not limited to, Magnavox' claims that the PAC-MAN Games are covered by the Patent; and,

WHEREAS, for separate consideration as stated therein, Magnavox and Bally Midway have entered into an "Amendment to Non-Exclusive Sub-License Agreement For Coin-Operated Game Devices," executed on the same date as this Agreement;

NOW, THEREFORE, for and in consideration of the premises, and of the agreements, covenants and conditions herein contained, the adequacy and sufficiency of which are hereby expressly acknowledged by each of the parties hereto, Magnavox, Sanders, and Bally Midway agree as follows:

1. Magnavox, Sanders, and Bally Midway hereby agree that an Order of Dismissal shall be entered in the Lawsuit in the form attached hereto as Exhibit "A," and that each of the parties hereto shall do all things reasonably necessary and appropriate to effect the entry of the said Order, including, but not limited to, the execution and delivery of all appropriate documents, including the Order.

2. Magnavox agrees to release Bally Midway for any claims arising from infringement of the Patent by the PAC-MAN Games; and Bally Midway shall pay to Magnavox the sum of One Million, Seven Hundred Thousand Dollars (\$1,700,000.00), Five Hundred Thousand dollars (\$500,000.00) of which shall be paid to Magnavox immediately upon the execution of this Agreement, and the remaining One Million,



Two Hundred Thousand Dollars (\$1,200,000.00) shall be paid in four (4) installments according to the following schedule:

Three Hundred Thousand dollars (\$300,000.00) on or before June 30, 1985;

Three Hundred Thousand dollars (\$300,000.00) on or before June 30, 1986;

Three Hundred Thousand dollars (\$300,000.00) on or before June 30, 1987; and,

Three Hundred Thousand dollars (\$300,000.00) on or before June 30, 1988.

3. Magnavox and Sanders, on behalf of its or themselves and each of its or their predecessors, successors, assigns, subsidiaries, parents, subsidiaries of parents, and affiliates, hereby release and forever discharge Bally Midway and each of its present predecessors, subsidiaries, parents, subsidiaries of its parents, and affiliates from any and all claims, demands, actions, or causes of action of any nature whatsoever which Magnavox or Sanders or its predecessors, successors, assigns, subsidiaries, parents, subsidiaries of its parents, and affiliates have, shall or may have against Bally Midway or its present predecessors, subsidiaries, parents, subsidiaries of its parents, and affiliates by reason of any act, cause, matter or thing, from the beginning of the world to the date hereof, claimed, asserted, or alleged in the Lawsuit, or based upon or in any way connected with claims made or filed in the Lawsuit, including but not limited to any and all claims for breach of the Sublicense or for infringement of the Patent relating to any coin-operated video games, whether or not identified

in the Lawsuit, made, sold or otherwise distributed by Bally Midway prior to the date of this Agreement, or with respect to any claim of infringement of any other patent owned by Sanders or Magnavox by any of the PAC-MAN Games prior to the date hereof. Bally Midway agrees that Magnavox' grant of the foregoing release, inter alia, satisfies Magnavox' obligations under paragraph 2, supra.

4. Bally Midway, on behalf of itself and each of its predecessors, successors, assigns, subsidiaries, parents, subsidiaries of its parents, and affiliates hereby releases and forever discharges Magnavox and Sanders, and each of its or their present predecessors, subsidiaries, parents, subsidiaries of its parents, and affiliates, from any and all claims, demands, actions, or causes of action of any nature whatsoever which Bally Midway or its predecessors, successors, assigns, subsidiaries, parents, subsidiaries of its parents, and affiliates has, shall or may have against Magnavox and/or Sanders or its or their present predecessors, subsidiaries, parents, subsidiaries of its or their parents, and affiliates by reason of any act, cause, matter or thing, from the beginning of the world to the date hereof, claimed, asserted, or alleged in the Lawsuit, or based upon or in any way connected with claims made or filed in the Lawsuit.

5. Magnavox, Sanders, and Bally Midway each hereby agree that no public statement or press release regarding this Agreement or the Lawsuit, or the matters involved therein, shall be made by any parties hereto,

unless such statement or press release is previously agreed to by all parties hereto.

6. This Agreement shall be construed and interpreted in accordance with the laws of the State of Illinois.

7. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

8. Each party hereto represents that the person who executed this Agreement on behalf of that party is duly authorized to do so.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by setting their hands and seals hereto this ____ day of March, 1985.

(SEAL)

THE MAGNAVOX COMPANY

By: _____

ATTEST: _____

Its: _____
(Title)

(SEAL)

SANDERS ASSOCIATES, INC.

By: _____

ATTEST: _____

Its: _____
(Title)

(SEAL)

BALLY MIDWAY MFG. CO.

By: _____

ATTEST: _____

Its: _____
(Title)

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

THE MAGNAVOX COMPANY,)	
)	
Plaintiff,)	
)	
v.)	No. 83 C 2357
)	
BALLY MIDWAY MFG. CO.,)	Hon. Prentice H. Marshall
)	
Defendant.)	
)	
and)	
)	
BALLY MIDWAY MFG. CO.,)	
)	
Third Party Plaintiff,)	
)	
v.)	
)	
SANDERS ASSOCIATES, INC.,)	
)	
Third Party Defendant.)	

ORDER OF DISMISSAL

Upon stipulation and agreement of plaintiff The Magnavox Company ("Magnavox"), defendant Bally Midway Mfg. Co. ("Bally Midway") and third-party defendant Sanders Associates, Inc. ("Sanders"), it is hereby ordered that:

1. The parties having settled and compromised their differences, this cause, including Magnavox' complaint and Bally Midway's counterclaim and third-party complaint, is hereby dismissed with prejudice.

EXHIBIT A

2. Each party is to bear its own costs, expenses and attorneys' fees.

IT IS SO STIPULATED AND AGREED:

THE MAGNAVOX COMPANY
and SANDERS ASSOCIATES, INC.

BALLY MIDWAY MFG. CO.

By: _____
Don H. Reuben
One of its attorneys

By: _____
Keith F. Bode
One of its attorneys

Dated: _____

Enter Order:

HON. PRENTICE M. MARSHALL
United States District Judge

AMENDMENT TO "NON-EXCLUSIVE
SUBLICENSE AGREEMENT FOR
COIN-OPERATED GAME DEVICES"

THIS AMENDMENT (hereinafter referred to as, "this Amendment") is hereby made and entered into by and between THE MAGNAVOX COMPANY, a corporation of the State of Delaware, having an office at 580 White Plains Road, Tarrytown, New York (hereinafter referred to as "Magnavox"), and BALLY MIDWAY MFG. CO., formerly Midway Mfg. Co., a corporation of the State of Illinois, with offices at 10601 West Belmont Avenue, Franklin Park, Illinois (hereinafter referred to as "Bally Midway").

W I T N E S S E T H:

WHEREAS, on May 1, 1976, Magnavox, and Bally Midway's predecessor, Midway Mfg. Co., entered into a certain agreement, captioned: "Non-Exclusive Sublicense Agreement for Coin Operated Game Devices," a copy of which is appended hereto as Exhibit "A" (hereinafter referred to as "the Sublicense Agreement"); and,

WHEREAS, in the Sublicense Agreement Magnavox warranted that it is the exclusive licensee under United States Letters Patent Re. 28,507 and Re. 28,598, issued on August 5, 1975 and October 28, 1975, respectively (hereinafter referred to as, "the Patents"), the title to which resides in Sanders Associates Inc., a corporation of the

IN WITNESS WHEREOF, the parties hereto have caused
this Amendment to be executed by setting their hands and
seals hereto this __ day of March, 1985.

THE MAGNAVOX COMPANY

By: _____

Its: _____
(Title)

ATTEST:

BALLY MIDWAY MFG. CO.

By: _____

Its: _____
(Title)

ATTEST:
