



Koninklijke Philips Electronics N.V.

P.O. Box 218 - 5600 MD Eindhoven - The Netherlands

[Click and type Addressee]

Re. **Philips Patent License Agreement for the manufacture of Non-Standard Multi-Session CD-Audio Discs; Past Use Settlement**

Ref: BB/EW

Date:

Dear Sirs,

Reference is made to the Philips Patent License Agreement for the manufacture of Non-Standard Multi-Session CD-Audio Discs between our companies dated ("the Agreement"). Specific reference is made to Clause 5.12 of the Agreement, which stipulates:

"As a condition precedent to the entry into force of this Agreement, Licensee shall submit to Philips a royalty statement in respect of those Non-Standard Multi-Session CD-Audio Discs as correspond with the Non-Standard Multi-Session CD-Audio Discs as selected by Licensee pursuant to the Options of Clause 1.29 and in which any one or more of the Licensed Patents and/or any one or more of the Non-Asserted Patents existing at the time is (are) used, manufactured and sold or otherwise disposed of by Licensee before the Effective Date (as hereinafter defined) of this Agreement in accordance with the provisions of Clause 5.3. Licensee shall clearly indicate on such royalty statement the starting date of production of such Non-Standard Multi-Session CD-Audio Discs.

Within 7 days following the execution of this Agreement, Licensee shall pay to Philips the royalties for such Non-Standard Multi-Session CD-Audio Discs, calculated by applying the royalty rates of:

- (a) *US\$ 0.03 (three US Dollar cents) for each Non-Standard Multi-Session CD-Audio Disc with an outer diameter greater than 90 mm; and*
- (b) *US\$ 0.02 (two US Dollar cents) for each Non-Standard Multi-Session CD-Audio Disc with an outer diameter smaller than 90 mm.*

The royalty statement shall similarly be subject to Philips' right of audit as set out in Clause 5.10. Within 45 days following the execution of this Agreement, Licensee shall submit to Philips an audit statement by its external auditors, who shall be certified public auditors, confirming that this royalty statement is true, complete and accurate in every respect. Such statement must meet the requirements as specified in the Audit Guidelines."

It is our pleasure to inform you that Philips is prepared to waive the contractual requirement to pay royalties that have accrued for the manufacture and sale of Non-Standard Multi-Session CD-Audio Discs prior to July 1, 2003 provided that the following conditions are met:



1. Licensee has entered into the Agreement before January 1, 2004;
2. Licensee has paid the initial fee specified in Clause 5.1 of the Agreement before January 1, 2004;
3. Licensee has properly completed the royalty statement referred to in Clause 5.12 in accordance with the provisions of the Agreement for the period ending June 30, 2003 and this statement is received by Philips before January 1, 2004;
4. Licensee has properly completed the royalty statement referred to in Clause 5.3 in accordance with the provisions of the Agreement for the period July 1, 2003 up to and including December 31, 2003 and said statement shall be received by Philips before January 30, 2004;
5. Licensee has paid to Philips the royalty payment in relation to the royalty statement for the period July 1, 2003 up to and including December 31, 2003, calculated by applying the Compliance Rates specified in Clause 5.2 of the Agreement, and this payment shall be received by Philips before February 28, 2004.

Said waiver will be confirmed by Philips in March 2004. Only explicit confirmation in writing by a duly authorised officer of Philips shall constitute a binding waiver.

In connection with the above-mentioned waiver, Philips is also prepared to waive the contractual requirement that the audit statement as per the last paragraph of Clause 5.12 is to be submitted within 45 days after the Effective Date. Instead, this statement may be submitted together with the first regular yearly audit statement pursuant to Clause 5.5 of the Agreement.

If the above properly reflects our mutual understanding and agreement, please indicate so by signing two copies of this Side Letter and returning same thereafter to us for our signature. Upon receipt of the two signed copies we will arrange for countersignature on our part.

When duly signed by both parties, this letter shall be legally binding between our two companies and shall form integral part of the Agreement.

Thank you for your co-operation.

Yours faithfully,

Koninklijke Philips Electronics N.V.

Agreed for and on behalf of

Name:

Title:

Name:

Title: