

Koninklijke Philips Electronics N.V.

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

Date:

Re: **Philips Video CD Player Patent License Agreement; Video CD playback functionality incorporated in DVD Video Players**

Dear Sirs,

Reference is made to the Philips Video CD Player Patent License Agreement between our two companies [**choose:** dated [insert Effective Date]/of even date] (the "VCD Agreement").

Further, your company has concluded with Philips the DVD Video Player and DVD ROM Player Patent License Agreement for the manufacture and sale of DVD Video Players and/or DVD ROM Players, as defined in said agreement.

Your company is currently engaged in the manufacture of DVD Video Players incorporating a Video CD playback function. On the basis that these products are covered by two different patent license programs, your company needs to report and pay royalties separately for the DVD Video Player and for the Video CD playback functionality.

Provided that your company is in full compliance with its obligations under the VCD Agreement, it is hereby confirmed as follows:

1. Entrance fee

On the basis that your company adds a Video CD playback function to DVD Video Players, the entrance fee shall amount to US\$ 5,000 instead of US\$ 25,000 specified in Clause 5.1 of the VCD Agreement. For the avoidance of doubt, the above only applies to the incorporation of a Video CD function in DVD Video Players, not in other products. Also, the above does not affect the royalty rates and other provisions of the VCD Agreement applying to Video CD Players sold as stand-alone products. Accordingly, in the event that your company starts adding Video CD playback functionality to other products than DVD Video Players and/or in the event that your company starts manufacturing stand-alone Video CD Players, your company is required to pay the remainder of the entrance fee amounting to US\$ 20,000.



2. Royalties

In deviation of Clause 5.2 of the VCD Agreement, your company is required to pay a fixed royalty of US\$ 1.50 (one and a half US Dollars) per Video CD playback function incorporated in a DVD Video Player sold before July 1, 2003.

The royalty per Video CD playback function incorporated in a DVD Video Player sold on or after July 1, 2003 amounts to US\$ 1.00 (one US Dollar) with a compliance reward rate for compliant licensees of US\$ 0.60 (sixty US Dollar cents), as specified in Clause 5.2 of the VCD Agreement.

For the avoidance of doubt, the royalty for the Video CD playback function will be in addition to the royalty due on the basis of the DVD Video Player and DVD ROM Player Patent License Agreement.

The sales of such Video CD playback functions incorporated in DVD Video Players are to be reported in accordance with Clause 5.3 of the VCD Agreement. For the reporting of the royalties under the VCD Agreement, including the royalties due in accordance with this Side Letter, your company is requested to use the enclosed Royalty Reporting Form. If your company has concluded the VCD Agreement prior to signing this Side Letter, the enclosed Royalty Reporting Form shall replace the Royalty Reporting Form currently used by your company for the reporting of Video CD Player sales.

In the event that your company has sold any DVD Video Players incorporating a Video CD playback function prior to the effective date of this Side Letter which have not been reported under the VCD Agreement or the DVD Video Player and DVD ROM Player Patent License Agreement, such sales shall be reported and paid for by your company within 7 days from the execution of this Side Letter.

In the event your company has already reported and paid royalties for Video CD playback functions incorporated in DVD Video Players sold before July 1, 2003 on which your company has applied the regular Video CD Player royalty rate, your company may re-submit the relevant Video CD Player Royalty Reporting Forms and apply the rate of US\$ 1.50 on such sales. Any difference in royalties due may be settled with the royalty payment for the next quarterly period due under the VCD Agreement.

Please confirm your agreement with the above by signing both copies of this Side Letter and returning same thereafter to us for our countersignature after which this Side Letter shall form an integral part of the VCD Agreement. We will return one countersigned copy to you.

Thank you for your co-operation.

Yours sincerely,

Koninklijke Philips Electronics N.V.

Agreed for and on behalf of
[company name]

Name:
Title:

Name:
Title:

Reference copy