



13 July 1992

LEGAL DEPT.

Mr. Jim Bunker
President
VideoCipher Division
General Instrument Corporation
6262 Lusk Boulevard
San Diego, CA 92121

Dear Mr. Bunker:

You are most likely aware of the recent announcements concerning the formation of Titan Satellite Systems Corporation. As President of this venture, I would like to take this opportunity to introduce myself to you. Additionally, in my role as vice-president of Titan Corporation, I have responsibility for the development, manufacture, and sale of the Linkabit Smart Card System, a system utilizing certain patents and intellectual property obtained by Titan upon the purchase of Linkabit from M/A-Com (I believe you were personally involved in that transaction, so are quite familiar with it).

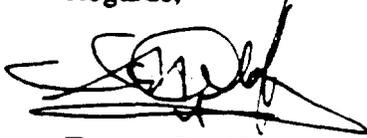
You were previously informed of Titan's intention to exploit this technology by Mr. David Otten in his letters of January 2, and March 17, 1992, (both attached). Your response to Mr. Otten's January 2 letter is also attached, but as of this date, Titan has received no response to its March 17 request. One purpose of this letter is to reiterate Titan's requests as outlined in Mr. Otten's March 17, 1992, letter to you. To the extent there are any legitimate technical details G.I. believes there is a need to discuss, we at Titan stand ready to address these at any time.

As a result of numerous discussions with various industry personnel over the past several weeks, it has come to my attention that G.I. has made policy changes, and has taken serious steps toward the implementation of various non-essential technical changes to the existing VC II authorization system. These include, for instance, but not by limitation, the removal of non-cryptographic consumer messages (e.g., Program Name, TAMs, Information Service, Personal Message Service, etc.) from the HBL. These proposed changes can only be interpreted as actions Mr. Jim specifically undertaken, or about to be undertaken, by G.I., to erect additional barriers to entry to the descrambler market segment for Titan. Mr. Bunker, should G.I. implement any non-essential technical changes, whether under the guise of improved security or otherwise, we will have no choice but to pursue any and all remedies available. Be assured we would promptly do so.

Bunker
13 July 1992
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I look forward to your timely response to my requests, and stand ready to discuss any and all of the issues raised in this letter with you, personally, at your convenience.

Regards,

A handwritten signature in black ink, appearing to read "Tom A. Orloff", with a long horizontal flourish extending to the right.

Tom A. Orloff
President
Titan Satellite Systems Corporation

3 Attachments

GENERAL INSTRUMENT

VideoCipher Division
General Instrument Corporation
6252 La Jolla Boulevard
San Diego, CA 92121
619 455-1500
FAX 619 535-2486

July 31, 1992

Mr. Tom A. Ortolf
Titan Satellite Systems Corporation
3033 Science Park Road
San Diego, CA 92121

Dear Mr. Ortolf:

I am responding to Mr. David Otten's March 17 letter and your July 13 letter at the request of Mr. James Bunker. The responses generally follow the order of issues presented in the respective letters.

The first matter discussed in Mr. Otten's letter is Titan's eligibility for access to a business port. The DBS Authorization Center, Inc. is not in a position to determine whether it agrees or disagrees with Mr. Otten's conclusion that Titan meets the eligibility requirements for access to a business port because none of the underlying facts upon which he bases his conclusions have been shared. Your attention is directed to Section 3.2 of the form of agreement forwarded to Mr. Otten under cover of Mr. Bunker's January 28, 1992 letter for criteria applied in determining eligibility. As suggested at that time, Mr. James Shelton is available to discuss any questions you may have with respect to DBS Center requirements.

Mr. Otten also challenges our position with respect to other issues raised in his January 2, 1992 request. In our January 28 response we asked for clarification regarding Titan's request to use the "VideoCipher II™ DBS authorization data stream." No such information has been forthcoming. Mr. Otten's March 17 letter further clouds the issue by making reference to an "associated implied use of the VideoCipher II™ DBS authorization data stream." We cannot respond in a vacuum to a request which involves very serious technical issues.

Mr. Otten's letter contains a variety of self serving statements whose accuracy we dispute. For example, General Instrument did not purchase the VideoCipher Division from "M/A-Com Linkabit." We are also unaware of any rights retained by "Linkabit." We assume that it is correct that "Linkabit" is now a part of Titan but do not agree that Titan is free to apply the technology to which you refer without contractual restrictions.

Mr. Tom A. Ortolf
Titan Satellite Systems Corporation
July 31, 1992
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We do not agree that both parties to the 1986 transaction intended that any party other than General Instrument or its licensees would build VideoCipher® compatible units in the future. We can assure you that that was not General Instrument's intention. We cannot speak to the seller's intention at that time and expect that Titan is similarly handicapped.

Mr. Otten indicates that your product is being redesigned to completely solve prior security breaches. We commend your ambition, but based upon years of laboratory and field experience have serious doubts that your first attempt will be successful. We are spending tens of millions of dollars to secure the backyard market by upgrading untampered VideoCipher® II modules with VideoCipher® RS modules. We will not jeopardize stability in the market, the security of the VideoCipher® system and our customer's programming by cooperating in the introduction of untested technology based solely on your unsupported claims that your product will be secure.

The section of the Disclosure Schedule to the Purchase Agreement between M/A-Com, Inc. and General Instrument quoted in Mr. Otten's letter provides no support for the proposition for which it is introduced based upon any reasonable reading of the text. We are a bit surprised by your possession of the document and suggest that prior to drawing any conclusions with respect to its meaning, the document be reviewed in its entirety. If you have any basis for your statement, aside from the facts cited in the March 17 letter, we would be pleased to consider them.

Mr. Otten asserts that it would be extremely impractical, if not impossible, for Titan to enter "this market" (we reserve questions regarding the meaning of "this market") if Titan were denied access to the DBS Authorization Center. It seems to us that this statement is contradicted by statements made in your sales literature that "TITANCypher III™ descramblers can be authorized from a second DBS Control Center." If this statement is not accurate, your sales literature is clearly deceptive.

We do not agree that our relationship with Channel Master, the details of which are confidential, represents either precedent for your proposal or support for your demands. We therefore decline Mr. Otten's invitation to elaborate on our relationship.

With respect to the issues raised in the penultimate paragraph of your July 13 letter, let me first observe that we are not aware of the "policy changes" and "serious steps toward the implementation of various non-essential technical changes to the existing VCII authorization system" to which you refer. We also think it

Mr. Tom A. Ortolf
Titan Satellite Systems Corporation
July 31, 1992
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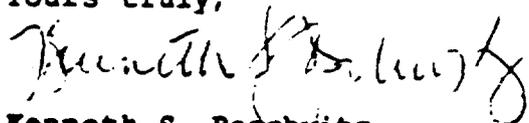
presumptuous for you, as an aspiring entrant into our business, to be advising us on what changes to our authorization system are "non-essential." We will from time to time make such changes to our system as we deem necessary and/or appropriate.

On yet another issue, we have seen your recent press release dated June 16, 1992. While it is difficult to determine exactly what Titan Corporation and/or Titan Satellite Systems Corporation will actually be doing, we are concerned that your activities may infringe on the intellectual property, contractual or other rights of General Instrument Corporation and its affiliates. As such, we request that you provide us with detailed information about the Linkabit Smart Card System and samples of your product, if available, so that we may examine them.

There is one statement made in Mr. Otten's letter with which we wholeheartedly concur. General Instrument will act responsibly in accordance with its legal obligations. We trust that you will do the same.

If you are prepared to respond to questions raised in this letter and our previous letters we will gladly consider your responses. Please be on notice, however, that we are not waiving any of our rights and affirmatively reserve any and all rights.

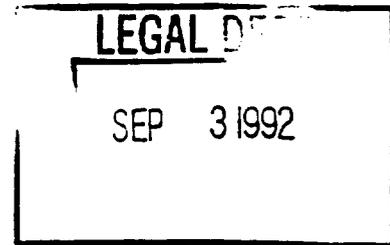
Yours truly,



Kenneth S. Boschwitz
General Counsel

cc: D. Marshall Nelson, Esq.

cc J. Barker
E. Kinsman
E. Rodriguez
M. Chu Esq
M. Erner Esq
T. Dewitt Esq
M. Gettinger Esq



September 2, 1992

Kenneth S. Boschwitz, Esq.
General Counsel
VideoCipher Division
General Instrument Corporation
6262 Lusk Boulevard
San Diego, California 92121

Re: Titan Satellite Systems Corporation

Dear Mr. Boschwitz:

This letter is intended to respond to your letter dated July 31, 1992 to me. I will attempt to respond to the issues raised in essentially the order in which they were presented.

With regard to business port access, your response is noted. Although Titan Satellite Systems would qualify under Section 3.2 of the "DBS Authorization Center Agreement for Program Distributor," our request for port access is for a special use, not covered by Section 3.2. That special purpose is testing, and would be for a limited period of time (60-90 days). I respectfully request that Mr. Shelton give appropriate consideration to this request. Perhaps the "Part-Time Programmers" definition of programmer user could be appropriate.

As you correctly point out, the issue of use of what Mr. Otten called the "Videocipher IITM DBS authorization data stream" is seriously technical and sensitive, hence, I do not wish to elaborate further in this document. However, suffice it to say that, because of Titan's unique position with regard to certain patent and intellectual property ownership, this request relates to consumer category key creation and generation, coupled with, but not limited to, unit key, geographic location, and program service data base information and management, and will require cooperation from General Instrument for Titan to implement. Titan's request for "access to the existing DBS Center" revolves around this issue. Further elaboration will require face to face discussion with the appropriate technical staff from both General Instrument and Titan.

As you may know, The Titan Corporation purchased all of the outstanding capital stock of M/A-COM Government Systems, Inc. (formerly M/A-COM Linkabit, Inc. from 1982 to 1986 and Linkabit Corporation from its incorporation in 1968 to 1982) from M/A-COM, Inc. as of May 30,

1990 in a transaction which closed on July 12, 1990. Mr. James Bunker is familiar with this transaction as he negotiated it on behalf of his former employer, M/A-COM, Inc. Prior to the July 12, 1990, closing of the M/A-COM, Inc.-Titan transaction, M/A-COM Government Systems, Inc. changed its name to Titan Linkabit Corporation at the request of M/A-COM, Inc. Mr. Bunker was one of the directors of M/A-COM Government Systems, Inc. who executed the written consent which adopted the name change resolutions. Titan Linkabit Corporation remained a wholly-owned subsidiary of The Titan Corporation until August 19, 1991, when Titan Linkabit Corporation was merged into The Titan Corporation through the short form merger procedure. Since that time, the business of Titan Linkabit Corporation has been operated as the Titan Linkabit division of The Titan Corporation ("Linkabit"). Accordingly, the rights and obligations of Linkabit (or M/A-COM Linkabit, Inc. as Mr. Otten put it) existent at the time of the July 12, 1990, closing passed by operation of law to The Titan Corporation on August 19, 1991.

The rights and obligations of Linkabit which were specifically acquired and assumed by The Titan Corporation in July 1990 included a variety of intellectual property rights and obligations of Linkabit. Included among such intellectual property rights and obligations were those under that certain Patent Ownership Agreement dated September 19, 1986, between Linkabit and your affiliate, Cable/Home Communication Corporation (the "Joint Patent Ownership Agreement"), and that certain License Agreement dated September 19, 1986, between the same parties and governing certain unpatented proprietary information of Linkabit (the "License Agreement"). As you know, the Joint Patent Ownership Agreement covers the rights to a number of Linkabit patents, an undivided one-half right of which was sold, assigned and transferred to your affiliate, Cable/Home Communication Corporation, subject to various terms and conditions binding upon each of the parties. These jointly-owned patents have been maintained by the parties in the United States and several foreign jurisdictions at a joint expense of many tens of thousands of dollars. Similarly, the License Agreement covers the rights to a body of unpatented intellectual property owned by Linkabit and licensed under certain terms and conditions to Cable/Home Communications Corporation. As you know, our ownership of these rights requires you to obtain our permission to act as plaintiff or co-plaintiff in various of your anti-piracy actions.

Upon the expiration of the five (5) year non-competition provisions of Section 9.3 of the 1986 Purchase Agreement which Linkabit, as a subsidiary of M/A-COM, Inc., honored, The Titan Corporation announced the formation of a new commercial division for the development, manufacture and marketing of various commercial products, including video encryption/decryption products. This new division's name is Titan Satellite Systems Corporation. The structure and operation of Titan Satellite Systems Corporation has been designed to comply with the terms and conditions of the Joint Patent Ownership Agreement and the License Agreement, although we reserve the right to later challenge the enforceability of certain of those terms and conditions.

With regard to the security of Titan's Linkabit SCSTTM, we at Titan Satellite Systems certainly understand your concerns, particularly in light of your company's performance in this area. Please

understand that Titan Satellite Systems, unlike others in this industry, would never consider introducing an untested technology. I have personally been a member of this industry for nearly ten years, in at least three market segments, so have intimate knowledge of General Instrument's impact on the "stability" of the home TVRO market. I am also familiar with the "investment" your company is making "to secure the backyard market". I, as well as other industry members, also believe to understand your motivation in making such an investment. Be assured that Titan Satellite Systems will introduce a fully tested product whose claims to security will be fully documented and supported.

Mr. Otten's statement regarding the practicality or possibility of Titan's entry into the encryption and access control segment of the backyard dish market was made with the knowledge he possessed at the time. Although I do not pretend to know Mr. Otten's thought process at the time of his statement, I believe his concerns were related to time-to-market and cost considerations. As I am sure you know, Linkabit SCSTTM descramblers "can be authorized from a second DBS Control Center" (emphasis added), therefore any sales literature indicating that fact is certainly not deceptive.

Although I believe the G.I. - Channel Master relationship surely represents precedent for, and support of, Titan's requests, we believe we understand that relationship, therefore you need not elaborate.

I find it disturbing that you are unaware of "policy changes" and the "serious steps" being taken related to the VC II authorization system. I do not believe this document to be the appropriate place to elaborate on my definition of "non-essential"; however, I will be happy to discuss that definition at length at your convenience. Again, be advised that G.I.'s erecting of barriers to entry to Titan to "our business?" (emphasis added) is a serious matter and will be treated as such by Titan Satellite Systems Corporation.

The Titan Corporation and its Titan Linkabit division believe that a clear ownership interest exists in the intellectual property relating to our intended business activities subject to various contractual terms and conditions which we intend to respect as long as they exist. Of course, we intend to observe the obligations of all agreements to which we are bound or from which we are entitled to benefits. We expect that you will do the same, and we are encouraged with your stated commitment to act responsibly in accordance with your legal obligations.

In response to your inquiries, I have attempted to outline for you what I considered to be the substantive aspects of them. In doing so, I have not addressed all of what I considered to be your ancillary questions and statements, such as your surprise over our possession of documents owned by Linkabit or your assertion that the disclosure made by M/A-COM, Inc. to General Instrument Corporation in the 1986 Purchase Agreement regarding the DBS Authorization Center is somehow

Kenneth S. Boschwitz, Esq.
September 2, 1992
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unclear on its face. Nonetheless, if you would like me to amplify on any of what I judged to be ancillary I would be pleased to do so.

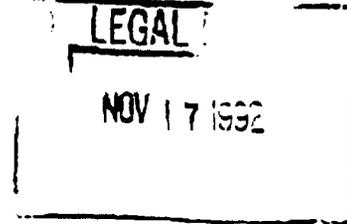
Should you have any additional questions, we would be pleased to consider them, or are prepared to meet with you directly to discuss any of the outstanding issues. Please contact me if at any time you feel this might be appropriate.

Very truly yours,

A handwritten signature in black ink, appearing to read "Tom A. Ortolf", with a horizontal line drawn underneath it.

Tom A. Ortolf
President
Titan Satellite Systems Corporation

cc: Gene W. Ray
D. Marshall Nelson
James Bunker



November 13, 1992

Kenneth S. Boschwitz, Esq.
General Counsel
VideoCipher Division
General Instrument Corporation
6262 Lusk Boulevard
San Diego, California 92121

LEGAL DEPT.

NOV 17 1992

Dear Mr. Boschwitz:

Beginning on the second day of January of this year, The Titan Corporation, initially, and Titan Satellite Systems Corporation, more recently, have attempted to gain access to and utilization of the resources of the General Instrument (DBS) Authorization Center. Mr. David Otten began this process with his letter to Mr. James Bunker dated January 2, 1992, (attached) and the most recent request was in my letter to you dated September 2, 1992 (attached).

Throughout this process, General Instrument has continued to assert the position of not understanding the requests included in each letter, has questioned Titan Satellite's capabilities, and has made veiled threats concerning the legality of our activities. Generally, you have refused to respond directly to our request.

In my September 2, 1992, letter I attempted to clearly outline the direction The Titan Corporation is taking regarding the exploitation of the assets acquired upon the purchase of M/A-Com Government Systems, Inc. Additionally, I also attempted to provide adequate information (semi-technical) regarding Titan Satellite's requests for DBS Center access such that qualified individuals within your organization would easily understand that request. Also, several offers were made regarding face to face discussions to clarify difficult issues.

As you know, access to the resources of the DBS Authorization Center would facilitate our entry into this market. We can understand your reluctance to accommodate a competitor, but we believe that we are entitled to such access and that the public interest would benefit. So far, General Instruments has been unresponsive, and we have made no progress in this effort. Under the circumstances, we have no alternative but to retain legal counsel to advise us as to the appropriate course of action regarding this critical issue. Of course, we continue to be available for face to face discussions.

Respectfully,

A handwritten signature in black ink, appearing to read "Tom A. Ortolf".

Tom A. Ortolf
President
Titan Satellite Systems Corporation

TITAN SATELLITE SYSTEMS CORPORATION
3033 Science Park Road • San Diego, California 92121
TEL. (619) 552-9797 • FAX (619) 597-9055

II. TERMS APPLICABLE TO VIDEOCIPHER RS DESCRAMBLER MODULES

1. MINIMUM ORDER QUANTITY.

1,660 Descrambler Modules

2. SHIPPING CONFIGURATIONS.

1,660 Descrambler Modules (Minimum shipment)
2,988 Descrambler Modules (20ft. Sea container)
6,640 Descrambler Modules (40ft. Sea container)
7,304 Descrambler Modules (45ft. Sea container)

3. LEAD TIME AND SHIPMENT COMPLETION.

Typical module lead time is 150 days after purchase order acknowledgment for initial shipment on order. Requested shipment dates must be within 12 months after date of order.

Seller recognizes the desirability of fulfilling orders promptly, and will at all times use reasonable efforts to make shipments of products to Buyer hereunder, in the quantities ordered, on or before the shipment date specified in orders accepted from Buyer. HOWEVER, SELLER SHALL HAVE NO LIABILITY OR RESPONSIBILITY TO BUYER OR TO ANY PERSON OR ENTITY NOT PARTY TO THIS AGREEMENT FOR ANY LOSS OR DAMAGE (INCLUDING BUT NOT LIMITED TO GENERAL, INDIRECT, EXEMPLARY, INCIDENTAL, SPECIAL AND CONSEQUENTIAL DAMAGES) ARISING OUT OF ANY FAILURE TO SHIP OR ANY DELAY IN MANUFACTURING, ASSEMBLING, SHIPPING OR DELIVERING PRODUCTS ORDERED BY BUYER.

4. DELIVERY/FREIGHT.

Delivery of all module shipments will be made F.O.B. Seller's plant, Puerto Rico.

Buyer shall pay all freight, shipping and insurance costs. Title and risk of loss shall pass to Buyer upon delivery of the products to the carrier for shipment to Buyer. Unless specified by Buyer in writing, Seller may select the method of shipment and the carrier. Seller shall not be liable for any delay in the delivery of any Descrambler Module resulting from any cause beyond Seller's reasonable control or caused by acts of God, acts of Buyer, acts of governmental authorities, fires, strikes, floods, earthquakes, accidents, war or riot.

5. TAXES.

In addition to the prices set forth herein, Buyer shall assume and pay any and all sales, use, gross receipts, duties, excise and other taxes applicable to the sale, use, transportation or addition to value of the Descrambler Modules. Buyer shall also pay any and all personal property, inventory, and similar taxes applicable to any inventory of products held by Buyer. If Buyer seeks any tax exemption in relation to this Agreement, Buyer shall request and complete an appropriate form from Seller.

6. LIMITED WARRANTY.

Subject to the following terms and conditions, all Products purchased by Buyer hereunder are warranted by Seller to be free from defects in material and workmanship. Seller's obligation to Buyer in relation to warranted products shall be limited to, at Seller's option, repairing or replacing any such product, which, after proper installation and reasonable usage, shall be determined by Seller to be defective in accordance with Seller's warranty policies. Seller's warranty obligation hereunder shall be further limited to repair or replacement of warranted products received by Seller within sixteen (16) months of the date of original shipment by Seller, provided such products are returned to Seller in accordance with the procedures provided to Buyer by VCD. In relation to repair or replacement of products purchased by Buyer hereunder, which products are determined by Seller in Seller's sole discretion not to be covered by this limited warranty, Buyer shall pay Seller the cost of repair or replacement. Product shall be subject to the additional service and repair charges if it is determined that any product label, marking or serial number has been defaced or removed, and/or if a product has been altered, or had its housing opened. Products which are repaired or replaced by Seller shall be warranted hereunder for the longer of ninety (90) days after return shipment by Seller or the original warranty period remaining upon the date the unit is received at Seller's repair center.

Warranty Limitation: THE EXPRESS LIMITED WARRANTY GIVEN BY SELLER TO BUYER IN THE ABOVE PARAGRAPH OF THIS EXHIBIT IS IN LIEU OF ALL OTHER WARRANTIES, WHETHER STATUTORY, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR USE OR PURPOSE. EXCEPT TO THE EXTENT REQUIRED BY LAW, IN NO EVENT SHALL SELLER BE LIABLE TO BUYER OR TO ANY PERSON OR ENTITY NOT PARTY TO THIS AGREEMENT FOR ANY INDIRECT, EXEMPLARY, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOSS OF USE, LOST PROFITS, AND NON-RECEIPT AND NON-DELIVERY OF PROGRAMMING, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR THE SALE, USE OR PERFORMANCE OF ANY PRODUCT SOLD OR APPROVED HEREUNDER, AND BASED UPON BREACH OF WARRANTY OR CONTRACT, STATUTORY VIOLATION, NEGLIGENCE, STRICT LIABILITY, OR ANY OTHER LEGAL THEORY. THE PRODUCT WARRANTY SET FORTH ABOVE SHALL BE VOID IF ANY PRODUCT LABEL, MARKING OR SERIAL NUMBER HAS BEEN DEFACED OR REMOVED, AND/OR IF A PRODUCT HAS BEEN ABUSED, MISUSED, ALTERED, IMPROPERLY INSTALLED, DAMAGED BY ACCIDENT OR NEGLIGENCE, OR HAD ITS HOUSING OPENED. SELLER SHALL HAVE NO LIABILITY TO BUYER OR TO ANY THIRD PERSON OR ENTITY IN RELATION TO ANY WARRANTY OR REPRESENTATION WHICH PURPORTS TO EXTEND, ALTER, OR MODIFY THE WARRANTY TERMS SET FORTH ABOVE.

7. PAYMENT.

Upon credit approval in Seller's sole discretion, payment for VideoCipher RS Descrambler Modules, and all other charges hereunder shall be made in full within thirty (30) days of the date of invoice. The invoiced amount shall not be subject to set-offs for any claims by Buyer against Seller, including without limitation any claims for products returned by Buyer for repair or correction of defects.

Buyer shall meet all of its financial obligations to Seller on a timely basis. Buyer shall pay Seller for all purchases hereunder in accordance with the payment terms of the then current Price Schedule in effect at the time the purchase order is acknowledged by Seller. All payments shall be made in U.S. funds at such places as shall be specified from time to time by Seller.

Any amount not timely paid by Buyer to Seller under the applicable payment terms shall accrue interest at the higher of a per annum rate of eighteen percent (18%), or the maximum rate of interest allowable by law, calculated on any outstanding amount from the date on which such payments are due to the date full payment is received by Seller. Buyer shall pay all reasonable costs, including attorneys' fees, incurred by Seller in obtaining payment of any overdue amounts, including interest. Seller shall retain a continuing security interest in and to all items purchased by Buyer hereunder as against any and all amounts due and owing from Buyer to Seller.

8. TERMINATION OF PURCHASE ORDER FOR CONVENIENCE OF BUYER.

- a. Any orders or portions thereof terminated within one hundred twenty (120) days of the scheduled shipment date shall be charged to Buyer at the purchase price, after any applicable rebate or deduction, of the terminated orders.

Buyer may, by written notice to Seller, terminate all or any portion of a purchase order for products which have not been shipped and which are not scheduled by Seller for shipment within the next one hundred and twenty (120) day period immediately following Seller's receipt of said termination notice. In the event of such termination, Seller shall be entitled to a compensation of twenty-five percent (25%) of the purchase price, based on the unit price of the last previous shipment, of the terminated portion of the order(s) as a re-stocking charge. Said charge shall be due and payable to Seller within fifteen (15) days of the date of said termination notice.

- b. Buyer shall have the right to terminate any purchase order hereunder with no further liability under such purchase order except for products already shipped and not yet paid for by Buyer, in the event that:
- i. Seller makes an assignment for the benefit of creditors, or a receiver, trustee in bankruptcy or similar officer is appointed to take charge of all or any part of Seller's property or business; or
 - ii. Seller is adjudicated bankrupt.
- c. Any termination by Buyer under paragraph 8.a. above shall not be considered a termination of the Agreement, and Buyer shall retain the right to place future orders for products, provided the Agreement remains in full force and effect.

9. RESCHEDULING OF PURCHASE ORDER FOR CONVENIENCE OF BUYER.

Buyer may, by written notice to Seller, reschedule shipment for all or any portion of an acknowledged purchase order for products. In the event of such rescheduling by Buyer or of Buyer's failure to make appropriate prepayment as required by Seller's credit terms, Seller shall be entitled to the following rescheduling charges, which shall be due and payable to Seller within fifteen (15) days of the acknowledgment and acceptance by Seller of the rescheduling notice for paragraph 9a. below or the end of each 30 day period after original acknowledged shipment date or upon taking delivery if the period is less than 30 days for paragraph 9b. below.

- a. Rescheduling Administration Fee - \$500 per rescheduled shipment
- b. Inventory Holding Charge - one and one-half percent (1 1/2%) per month of the total payment due on the rescheduled shipment quantity (charge will be prorated for any period less than 30 days).

The charges listed in paragraphs 9a. and 9b. above will not apply to rescheduling requests on products which are not scheduled by Seller for shipment within the next one hundred twenty (120) day period immediately following Seller's receipt of said rescheduling request.

Each scheduled shipment may be rescheduled by Buyer only once for no more than ninety (90) days from the original scheduled shipment date. Any applicable delivery date limitation will be applied to the rescheduled delivery dates. Failure by Buyer to pay Seller appropriate rescheduling and inventory holding charges and full payment for the rescheduled product when due will constitute termination of the order and the provisions for termination in this Exhibit A will apply.

10. AGENCY APPROVAL

The VideoCipher® RS descrambler module may carry component level approval from various regulatory agencies.

11. INCORPORATION OF TERMS AND CONDITIONS.

All terms and conditions of the Agreement are incorporated herein by reference, and all terms and conditions of the Agreement and of this Exhibit A are incorporated by reference into each Buyer purchase order.

**DBS AUTHORIZATION
CENTER AGREEMENT
FOR PROGRAMMER
No. DBS-_____**

FOR _____

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DBS AUTHORIZATION CENTER AGREEMENT FOR PROGRAMMER

THIS AGREEMENT is entered into on _____, 1992 by and between DBS Authorization Center, Inc., a Delaware corporation ("Centercorp"), and _____, a _____ corporation ("Customer").

WHEREAS, Centercorp, a wholly-owned subsidiary of Cable/Home Communication Corp., ("Parent") owning patents and know-how relating to satellite television scrambling, has established a computerized authorization center (the "Center") which will enable satellite television programmers meeting the requirements described in this Agreement ("Programmers"), and distributors of programming services authorized by such Programmers and otherwise meeting the requirements described in this Agreement ("Program Distributors"), to operate subscription satellite television services (as defined herein) utilizing scrambling and descrambling technology, with such Programmers and such Program Distributors being sometimes hereinafter referred to collectively as "Users" and

WHEREAS, the Customer wishes to utilize the facilities of the Center upon the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth, the parties hereby agree as follows:

1. Use of Basic Service by Customer. Customer shall utilize the Basic Service (as defined in Section 2) as a Programmer, and is being assigned Tier-Bits, Option Bits and/or Part-Time Bits (as such terms are defined in Section 3.1) as specified in the Tier-Bit Assignment (as defined in Section 3.1) being executed on the date of this Agreement. Whenever this Agreement refers to a Programmer or to a User, or to the rights or obligations of a Programmer or a User, this Agreement shall be deemed to refer in particular to Customer and to the rights and obligations of Customer (in addition to referring to other Programmers and Users).

2. Basic Service. Commencing July 1, 1986, Centercorp shall operate a basic service described in Exhibit A (the "Basic Service") through the Center as an integral component of the Parent's VideoCipher®II Scrambling System (the "Scrambling System") for use in permitting a nationwide, multi-channel subscription television service for consumers owning home satellite television receive-only ("TVRO") equipment. As part of the Basic Service, Centercorp will operate all computers, software and peripheral equipment to provide a descrambler data base and a data channel containing descrambler authorization data and other data ("Data Channel") simultaneously to each VideoCipher®II scrambled uplink ("Scrambler") operated by a Programmer. Each Scrambler shall combine the Data Channel with the program signal transmitted over a satellite. The Data Channel provided by the Center under the Basic Service shall contain thousands of unique authorization words ("Authorization Word") representing each VideoCipher®II consumer descrambler ("Descrambler") being addressed, and containing 55 digital "tier-bits" (a "Tier-Bit"), each one of which may be assigned to a programming service or a group of programming services, which assignment shall be on an exclusive basis. These Tier-Bits shall indicate to a particular Descrambler which programming service or services it is authorized to receive, and (at the option of a Programmer to whom a Tier-Bit is assigned) may authorize an

individual programming service or a group of programming services. The Center shall also provide under the Basic Service seven (7) communication ports ("Ports"), with expansion capability up to 64 Ports, each Port capable of receiving data from Program Distributors (subject to the terms and conditions of their agreement with Centercorp) by port connection with respect to authorization of particular subscribers for particular programming services. The Center will offer as part of the Basic Service other services and features as set forth in Exhibit A. Other services, such as those described in Section 9 hereof, shall not be included in the Basic Service.

3. Users. Users entitled to use the Basic Service provided by the Center, and to enter into agreements with Centercorp with respect thereto, shall consist of two categories: Programmers and Program Distributors as described below. Centercorp may enter into agreements with Programmers and with Program Distributors from time to time after the date of this Agreement. In determining whether to enter into an agreement with a prospective Programmer or a prospective Program Distributor, Centercorp, in addition to assuring that the requirements set forth in Sections 3.1 and 3.2 below are satisfied, shall also be entitled to determine to its satisfaction (in the exercise of its sole discretion) that such prospective Programmer or prospective Program Distributor has the financial capacity to meet the financial commitments which would be required under such an agreement with Centercorp. This is no assurance as to the number (if any) of Programmers or Program Distributors who shall enter into such agreements, or concerning the number of Programmers or Program Distributors which may be utilizing the Basic Service at any time during the Initial Term or any Renewal Term (as defined in Sections 6.1 and 6.2). Customer acknowledges its understanding that the amount of the Charges (as defined in Section 4) payable by it pursuant to this Agreement shall be affected by the number of Programmers, and may be affected by the number of Program Distributors, who may be utilizing the Basic Service through agreements with Centercorp from time to time.

3.1 Programmer Users. The Programmer category will consist of entities transmitting television programs via satellite which also become:

- (a) A user of Scramblers for scrambling its satellite television signal feeds (whether such entity itself owns and operates the Scrambler or contracts with a third party which owns a Scrambler and which provides scrambling services); and
- (b) An owner of TVRO distribution rights to the programming material being transmitted; and
- (c) A provider of such satellite television programming directly to consumers on a subscription or other pay-TV basis which may include advertising (such programming being offered by the programmer or through authorized program distributors).

Upon meeting the criteria as described above and upon executing both an agreement with Centercorp the same as this Agreement ("Programmer Agreement") and a Tier-Bit Assignment in the form and under the provision set forth in Exhibit B, an entity will be deemed a Programmer and will be assigned a unique identification code for each Scrambler receiving the Data Channel from the Center and one or more of the Tier-Bits (as designated in the Tier-Bit Assignment). Two hundred and forty separate Scrambler identification codes are available, and 55 Tier-Bits are available. Each Programmer will be given the following alternatives with regard to the use of Tier-Bits assigned pursuant to a Tier-Bit Assignment:

- (i) A Programmer can use all assigned Tier-Bits on an active basis, using each such Tier-Bit for authorizations of a programming service or groups of programming services. Such combination of programming services on a single Tier-Bit may be accomplished through authorizing two or more programming channels with a single Tier-Bit (even though multiple Scramblers are being used). For example, a Programmer might combine east coast and west coast feeds on one Tier-Bit, but in such event all such feeds operating on a single Tier-Bit would always be authorized and deauthorized simultaneously.
- (ii) A Programmer can reserve assigned Tier-Bits ("Option Bits") for future use on a year to year basis, as set forth in Exhibit B, so long as Centercorp is satisfied, in its sole discretion, that such Programmer has the financial and other capacity to make it likely that such Programmer will be able to utilize such Option Bits (taking into account factors such as the net worth of the Programmer, the commitments for transponder utilization held by such Programmer, and guarantees of performance available for such Programmer). However, if (and to the extent that) the number of Tier-Bits requested to be made available to potential Programmers should exceed the number of available Tier Bits, all Programmers holding such Option Bits shall be required to activate their unused Option Bits, or release them for reassignment, as set forth in Exhibit B.
- (iii) Part-time Programmers (such as major sports leagues) which need a Tier-Bit for only a portion of a calendar year may be assigned a Tier-Bit for a portion of a calendar year, in calendar month increments, not to exceed the duration of a normal playing season or two hundred fifteen calendar days, whichever is less (a "Part-Time Bit"), subject to the availability of Tier-Bits as determined in its sole discretion by Centercorp. Part-time Programmers shall not be entitled to Option Bits.

For purposes of allocation of Tier-Bits, two or more Programmers may combine programming services which they offer on a single Tier-Bit (with the result that all of the programs so combined will be authorized and deauthorized simultaneously), in which event they shall jointly and severally be liable for the charges in such Tier-Bit, but may designate one such Programmer who shall pay all Charges with respect to such Tier-Bit as described in Section 4 below (allocating such Charges among themselves as they deem appropriate).

Notwithstanding the foregoing, upon request of a Programmer, and subject to the availability of Tier-Bits, and the criteria set forth in Exhibit B, Centercorp may (but shall not be obliged to, except upon renewal of this Agreement or a release and reassignment of a Tier-Bit) change the number of Tier-Bits assigned to such Programmer by execution of an amended Tier-Bit Assignment.

In addition, notwithstanding the foregoing, Centercorp (in the exercise of its sole discretion and without charge), shall be entitled to reserve up to five (5) Tier-Bits, one of which would be used for testing, demonstration or other non-commercial use by Centercorp, or for TVRO consumer descrambling for resale carriers transmitting television programs by satellite which are users of Scramblers for scrambling their satellite television signal feed to cable operators, but which are not distributing such scrambled satellite television programming to TVRO consumers, because

such distribution could create issues under U.S. copyright laws. In all events, the period of such Tier-Bit reservation for the resale carriers shall expire on the earlier of (i) the date on which legislative or judicial action permits such resale carriers to provide such scrambled satellite television programming to TVRO consumers without violation of U.S. copyright law, or (ii) December 31, 1987.

Customer, as a Programmer, is being assigned Tier-Bits, Option Bits and Part-Time Bits as set forth on a Tier-Bit Assignment being executed simultaneously with the execution of this Agreement.

3.2 Program Distributor Users. The Program Distributor Category will consist of entities (which may be Programmers) (a) which are expressly authorized by one or more Programmers to sell subscriptions for programming services to TVRO owners (such authorization to be communicated to Centercorp by a written notice of such authorization delivered to Centercorp by such Programmer), (b) which notify Centercorp that they wish to utilize a Port, and (c) which then execute an agreement with Centercorp similar to this Agreement (a "Program Distributor Agreement"). Each Program Distributor shall be required to connect to the Center via a Port through which it will advise the Center's computers concerning which subscribers should be authorized or deauthorized for each programming service with respect to which such Program Distributor has been authorized by a Programmer. In addition, a Program Distributor may be authorized by a Programmer to relay to the Center such authorizations and deauthorizations of subscribers received from other distributors which have been authorized by such Programmer to sell programming services to subscribers; provided that for purposes of each Program Distributor Agreement, such subscribers will be deemed to be subscribers of the Program Distributor, so that if the Program Distributor loses its authorization rights, all such other distributors will lose their authorization rights until they negotiate appropriate arrangements with another authorized Program Distributor.

The rights of each Program Distributor to be a party to its Program Distributor Agreement and to have access to the Center shall be conditioned upon its continued authorization by at least one Programmer. Each Programmer shall be entitled at any time and from time to time to advise Centercorp that a Program Distributor is no longer authorized to distribute (and authorize and deauthorize) programming services for such Programmer, and, upon receipt by Centercorp of such written notice from a Programmer, the rights of the Program Distributor with respect to such programming services shall terminate (regardless of whether the Programmer may be justified in so terminating such Program Distributor under the agreements between them). In the event that all Programmers who have authorized such Program Distributor shall so cancel such authorization, then all rights of such Program Distributor pursuant to this Agreement and the Program Distributor Agreement shall terminate effective on the date of the last such termination by a Programmer, notwithstanding that such Program Distributor shall have paid Port Fees (as described in Section 4) covering periods subsequent to such termination. In such event, such terminated Program Distributor shall be subject to the requirements described in Section 6.3 hereof.

4. Charges for Basic Services. Centercorp shall provide the Basic Service through the Center, during the Initial Term and any Renewal Term (as defined in Section 6), on a cost (operating plus capital) recovery basis, without profit, and shall set charges to Users ("Charges") on such basis, as described below. For determining costs for the Basic Service which are to be included in calculating Charges ("Eligible Costs"), the following principles shall apply:

- (a) Centercorp has acquired from Parent certain equipment, including computer equipment, and leasehold improvements, for use in establishing and operating the Center, for an approximate aggregate purchase price of \$1,150,000.00. The entire amount of such aggregate purchase price shall be amortized over a five-year period commencing July 1, 1986 for purposes of determining Eligible Costs. Centercorp has also entered into non-exclusive software license agreements with Parent, copies of which shall be made available to all Users upon request, for software necessary to operate the Center and the business of Centercorp, at an approximate aggregate monthly license fee of \$29,900.00 payable for a period of sixty (60) consecutive months.
- (b) The Center will be operated in leased premises, initially under a lease agreement with M/A-COM Government Systems, Inc. and subsequently under a sublease agreement with Parent, (copies of which shall be made available to all Users upon request), with an annual cost for the initial year of operation under this Agreement of approximately \$66,000.00 per year. Subsequent costs for premises shall be subject to adjustment depending upon adjustments of lease terms and expenses. In the event that leasehold improvements are made for the Center, the costs of such leasehold improvements shall be amortized over a period ending June 30, 1991 and included as part of the lease costs. All such lease costs shall be included in Eligible Costs for the calendar year in which incurred or in which amortized, as appropriate.
- (c) Parent is providing services to Centercorp in connection with the Center pursuant to management and service agreements, copies of which shall be made available to all Users upon request. All charges to Centercorp under such management and service agreements shall be included when payable as Eligible Costs.
- (d) From time to time, when Centercorp in the exercise of its discretion determines that such acquisitions are appropriate to expand or enhance the Basic Service for all Users, Centercorp may acquire additional equipment and software for the Center, including equipment which may be necessary to add additional capacity for the Center (which capacity may involve additional memory capacity, additional central processing unit capability and additional Ports for access to the Center, among other items). The entire purchase price for all such additional acquisitions shall be amortized over a five-year period from the date of acquisition for purposes of determining Eligible Costs.
- (e) Centercorp expects to incur indebtedness of approximately \$1,325,000.00 in connection with initial commencement of operations of the Center. In addition, additional acquisitions as described in paragraph (d) above may require incurrence of additional indebtedness. Finally, delays in payments by Users may require additional indebtedness to satisfy working capital requirements. All such indebtedness shall be obtained by Centercorp on such terms and for such periods as it shall determine in its sole discretion. All interest costs shall not exceed the Bank of America prime rate plus two (2) points and shall be included in Eligible Costs for the period in which they are payable (provided that if Centercorp enters into deferred interest payment