



One JS&A Plaza, Northbrook, Illinois 60062

Dear Customer:

The response to our last letter gave us an insight into your feelings and your concerns.

The majority of the letters expressed an appreciation for our actions and the responsible way we are handling this matter. Some letters criticized our actions. In retrospect, I can agree with many of these criticisms. Here's a sampling:

Comment: Why didn't you drop your program when Wards and Spiegels dropped theirs?

Answer: Their sales were just a trickle compared to ours and we had spent hundreds of thousands of dollars in advertising to obtain our sales. When we enter into any program, we make a major commitment to a manufacturer. We had so much invested in the program in time, money and sales that we tried to keep the program together. In retrospect, I wish I had dropped the program. It has cost our company much more than if we had abandoned our program then.

Comment: Not keeping us more closely informed is inexcusable.

Answer: I agree. And if there is one aspect of this program that bothers me more than anything else, it is that we didn't communicate more often. We must have written on several occasions only to have circumstances change so that we never sent out the letters. We've had more promises made to us and then broken than even our previous letter indicated.

Comment: You should let us trade in our Bally units for something else of equivalent value. I'm getting tired of waiting for Bally's commitment.

Answer: I will be happy to do even more than that. Our company markets several good products. I will hold sufficient inventory to offer the new portable TV that had been selling for \$395 and that we are selling for \$249.95, plus another \$150 item, or \$400 in total retail value for your Bally unit as a gesture on our part to reinstate your faith in us. If you decide to keep your unit, I will also offer you an extra bonus.

My main concern at this point is to satisfy my customers first and close the program. Bally has indicated that they will not make a definite statement on the future of its add-on module until late in the fall. Our guess is that they will not proceed with the program at all and will eventually abandon the add-on module.

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They are committed to servicing the basic unit and have a national service network established. I mention this as many of our customers have indicated that they wanted to keep their units and were concerned about service and future cartridges. Bally will also be coming out with more cartridges in the future. The big question is simply the add-on module.

JS&A would like, at this point, to totally satisfy its responsibility to its customers through any one of the following plans:

PLAN 1: You may select a micro-TV, plus either a jogging computer or a silvertone Sensor 440 chronograph, in exchange for your unit, four pistol grips and any cartridges. This is either \$400 to \$450 in value for your approximate investment of \$300. You would have had use of your unit for a year without charge and you would have received more than the value of your purchase in exchange.

PLAN 2: You may keep your present unit and we will give you the following items: Three deluxe mini-travel alarms, or \$120 in retail value, plus a \$30 gift certificate redeemable for any product in our current catalog. The mini-travel alarms make great gifts and are backed by JS&A.

PLAN 3: A \$300 gift certificate redeemable for any JS&A product or products during the next two years for the return of your unit, four pistol grips and cartridges. This gives you the freedom to select the product of your choice.

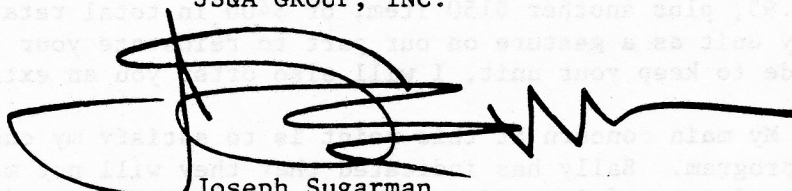
I have tried to provide three plans to fulfill our obligations to you. You trusted us to provide you with the complete system and we failed. We want to make up for that as we no longer intend to continue any business relationship with Bally.

Finally, I wish to thank many of our fine customers who have been most patient and understanding during our problems with Bally.

We still feel that the basic Bally unit is an outstanding product and although we hope you decide to keep it, we are prepared to accept return of your unit in exchange for the special considerations mentioned above.

Sincerely,

JS&A GROUP, INC.

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Joseph Sugarman
President